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DECEPTIVE SOCIAL SECURITY MASS MAILINGS TO THE ELDERLY

HEARING

BEFORE THE

SUBCOMMITTEE ON
SOCIAL SECURITY AND FAMILY POLICY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

NOVEMBER 20, 1989

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DECEPTIVE SOCIAL SECURITY MASS MAILINGS TO THE ELDERLY

MONDAY, NOVEMBER 20, 1989

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:00 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the subcommittee) presiding.

Also present: Senators Pryor, Daschle, and Heinz.

[The press release announcing the hearing follows:]

[Press Release No. H-55, November 13, 1989]

FINANCE SUBCOMMITTEE TO HOLD HEARING ON DECEPTIVE SOCIAL SECURITY MASS MAILINGS TO THE ELDERLY

WASHINGTON, DC—Senator Daniel P. Moynihan, (D., New York), Chairman of the Senate Finance Subcommittee on Social Security and Family Policy, announced Monday that the subcommittee will hold a hearing on the issue of mass mailings that deceive or mislead senior citizens about matters related to Social Security.

The hearing is scheduled for Monday, November 20, 1989 at 10:00 a.m. in Room SD-215 of the Dirksen Senate Office Building.

In announcing the hearing, Moynihan said, "I am very concerned about the growing number of mass mailings sent to the elderly telling them of threats to their Social Security benefits. These mailings stir up needless anxiety and then appeal for money from senior citizens living on fixed incomes. This 'fright mail' can terrorize the 80-year-old widow living alone who doesn't have anyone to tell her it isn't so. And it undermines confidence in a Social Security system that is extremely sound. We will look very closely at this matter."

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK

Senator MOYNIHAN. Good morning to our guests and our distinguished witnesses. I see my colleague, Senator Pryor, sitting discreetly in the rear there.

There are several other Senators who will also be attending this morning and we'll begin at a slower pace, perhaps, than normal to make sure that this has all worked out, if it does.

Let me say that this is a regular hearing of the Subcommittee on Social Security and Family Policy. The subject we are going to deal with today is "fright mail." This is a matter that has grown in the awareness of the members of the committee, of Congress, I think of public, possibly, over a number of years now.

It takes the form of letters sent to senior citizens from mailing lists, expressing alarm and worse as to the state of Social Security funds and typically seeking money contributions to bring about

some desired results. The range of issues involved, as my colleagues Senator Heinz and Senator Pryor will discuss is very wide. But there is a common element of fright. The word is just that. And more and more we receive letters ourselves from some seniors expressing concern about this pattern and more often, and more plaintively, we receive letters from the younger members of families who find the older members are being inundated with mail that alarms them, troubles them, confuses them and induces a measure of true concern.

I do not think I break any confidence when I say that not many years ago the grandmother of Gwendolyn King, our distinguished Social Security Commissioner, got in touch with her granddaughter to express very great concern that she might be losing her Social Security benefits. She had acquired the impression from mailing of this kind. Commissioner King traveled to New Jersey to reassure her grandmother that this was not so and I am sure did so successfully.

But I think it can be said that statistics prove that there is only one lady in America whose granddaughter is the Commissioner of Social Security and can personally vouch for the condition of the funds.

The funds, as I think is known, are in very good shape. They rise at a billion dollars a week and will be shortly be rising at $3 billion a week. We went to a partially funded system in 1983 and it is working out fine, except the Federal Government is not saving the money, we are spending it. But that is another matter. The funds are in good shape.

And yet, levels of anxiety remain very high. I was struck, as I think some of you will be struck, when Mrs. King told me last week that—we talk from time to time—on November 3 the debt ceiling expiration was at hand and it was not quite clear that we were going to get it done on time. On that day the Social Security Administration, through its 800 line, received 820,000 phone calls asking whether the Social Security checks would go out on time—820,000 phone calls in 1 day.

This just supports the renewed findings that at most half of nonretired adults really believe that they will get their Social Security when the time comes. More than ought we to be concerned with efforts that are directed at exploiting that fear.

Now we do not make any prejudgment, but we would just like to hear from people that are involved and see what they do and why they do it.

Today we are going to hear, in addition to our very distinguished colleagues, we are going to hear from Mr. Kenneth Hearst, who is the Assistant Chief Inspector for Criminal Investigations of the Postal Inspection Service. As we all know, there is something called "mail fraud." And there are questions as to the appropriateness of the uses of mail for certain kinds of purposes and we will hear from Mr. Hearst and learn from him in that regard.

We are going to hear from Mr. Dennison Hatch, who is the editor and publisher of "Who's Mailing What!," a trade publication that deals with these matters.

And we are going to hear from Mrs. Martha McSteen who is president of the National Committee to Preserve Social Security

and Medicare. We are going to hear from Mr. Ralph Galliano, who is national chairman of the Congressional Majority Committee, another group that mails to senior citizens.

And then, we invited several other persons who could not or chose not to come—could not or would not come, if you like. They were Mr. Richard Viguerie, who is chairman of Citizens Against the Catastrophic Health Tax Act, and Mr. Howard Phillips, who is chairman of the Conservative Caucus. Mr. Phillips referred us to his attorney, who informed us that Mr. Phillips would not be coming; and Mr. Viguerie had an assistant call us to say that he was not coming.

We also invited the owners or executives of three direct mail companies that provide mail services for three of these organizations that we are dealing with. Each of these persons declined to attend. They are Mr. Tom Robertson, co-owner of the Richard Norman Co. that does business with Mr. Phillips; and Mr. Miles Rubin, owner of the National Direct Marketing Corp., which does mail for the National Committee; and John Robinson, CEO of the Washington Intelligence Bureau, the direct mail firm that contracts with Mr. Galliano. Mr. Robertson said he was too busy. Mr. Robinson said he could not make it due to a conflict in his attorney's schedule and Mr. Rubin, who was apparently out of the country last Thursday, his staff said he would not have time to prepare and they could not find another witness.

Well so much for those who are not here. Those who are, in the first instance, a distinguished member of this committee, the Senator from Arkansas, Mr. David Pryor. Mr. Pryor, would you like to come forward and perhaps you would like to be joined by your colleague, our colleague, Senator Heinz. And so we have both sides of our round table, horseshoe here, represented.

Senator PRYOR. That would be fine, Mr. Chairman.

Senator MOYNIHAN. We welcome you gentlemen both and would you proceed exactly as you wish, at your pace and to your purposes.

OPENING STATEMENT OF HON. DAVID PRYOR, A U.S. SENATOR FROM ARKANSAS

Senator PRYOR. Mr. Chairman, you are performing a true public service by holding this hearing at this particular time and I want to thank you. I want to congratulate you; and I want to express my gratitude to you and to your staff for allowing me to appear for a very few moments this morning. I chair both the Senate's Postal Subcommittee, Mr. Chairman, and the Special Committee on Aging. Of course, Senator Heinz, the former chairman, is the ranking member. He is the vice-chairman of the committee. I hope that I have and we have a particularly unique and compelling perspective from which to assess this kind of unethical mailing on which today's session will focus and that you are chairing.

There is no question that there is a growing number of unscrupulous persons who make use of the mail as they prey upon the elderly, who may be unsuspecting, desperate and afraid. They claim that for a price they will get you a bigger Social Security check or that Social Security number the tax law requires today for your

child. For a donation they will make sure that your Congressman is aware or Senator is aware of your views and they will lobby Washington on your behalf. Then there are the ones who will sell you that miracle cure for whatever ails you.

Mr. Chairman, it boils down to many of these organizations today are not only existing, but profiting from fear. Whether it is a promise or a product, these charlatans are very sophisticated at getting a foot in the door and they are always looking for new targets of opportunity. Unfortunately, the elderly appear to be disproportionately affected by such schemes.

Mr. Chairman, we cannot stand by while the U.S. mail, so integrally linked in the communications network of this Nation, is used to take advantage of anyone, especially senior citizens, many of whom can ill-afford the wares of modern day snake-oil salesmen. That is exactly what they are.

Earlier this year, in an attempt to address one particularly troublesome aspect of this problem, Senator Heinz and I joined together to introduce the Deceptive Mailing Prevention Act of 1989. That became S. 273. And it is designed, Mr. Chairman, to stop those persons who hold themselves out as being associated with the Federal Government by deceptively using official sounding names, seals, and insignias or look-alikes on their mailings; who attempt to mislead recipients into opening and considering the contents of the envelope which arrives at their home, because it appears to be from their government.

This bill declares unmailable any letter which could reasonably be construed to imply government connection where none in fact exists. Unless such a letter includes, both in its text and on the envelope, a conspicuous statement that makes it clear that the mailer is in no way affiliated with the government, it will not be delivered.

Among the examples of government look-alike mail we examined during my subcommittee's hearings on S. 273, were those of the Social Security Protection Bureau. Now that sounds, Mr. Chairman, like an arm of our Social Security Administration.

Senator MOYNIHAN. Could I say, sir, that the type face is very like the type face used by the Social Security Administration. Is that not the case?

Senator PRYOR. You are very observant.

Senator MOYNIHAN. And that check you get every month comes with that.

Senator PRYOR. Yes.

Senator MOYNIHAN. I did not mean to interrupt you. I just was struck by that.

Senator PRYOR. No, I am very glad that you underlined that point because I think that is critical. They are used to that type face. They see it on a monthly basis and they can only assume that that is from the Social Security Administration. It is a point well taken.

This actually, Mr. Chairman, was sent by a for-profit entity owned by the principals of the Watson and Hughey Direct Mail Firm. I think it could properly be characterized as a classic. For a fee of $7, the subscriber is told he will get "valuable benefits" including a gold embossed Social Security card, a copy of his Social

Security earnings record. And now get this, if you might, "representation in Washington, DC to protect your Social Security benefits." And if that's not enough, Mr. Chairman, the subscriber—the recipient—of this mail is entered into the $50,0000 Social Security Sweepstakes! Just what representation or protection is afforded is unclear. What is clear, is that the card is plastic; the record is simply a copy of the Government's own request form to be mailed to the Social Security Administration by the individual; and the fine print says that the grand prize in the sweepstakes is now "up to the range of $16,233." Winners, we were told, were lucky to get 25 cents.

Another example provided by a constituent of mine, Mr. Chairman, who happens to be a very fine attorney in our State, was an appeal for funds from a non-profit organization. The appeal arrived at his office in an envelope indicating that time sensitive documents from the Department of Justice were enclosed. I might invite the chairman's attention to the important notice on the lower left and it reads, "Justice Department request enclosed."

This looks, once again, like a very official document, an especially important Justice Department request turned out to be an unsolicited letter sent to the Justice Department by a member of this particular organization. That was discovered once the person opened the letter and read the contents.

A more recent example of a very misleading mailing, one which I think deserves very close scrutiny, comes from an organization known as CATCHA—Citizens Against The Catastrophic Health Act Tax. The CATCHA envelope was designed with one rather obvious intent, Mr. Chairman, and that intent was simply to mislead the elderly recipient with respect to the source of the mailing and its contents.

You will find some familiar names at the top of the roster of this group—Richard Viguerie—who I understand you invited but declined to attend, a direct fund raising reknown; Mark Siljander, a former member of the U.S. House of Representatives who actually served for a time on that body's Select Committee on Aging.

CATCHA, preying on the fears of the elderly over their ability to pay for the Catastrophic surtax, promised much in exchange for a contribution. Interestingly, in many cases, the contribution would have been more than the surtax the individual would have actually had to pay.

CATCHA promised lobbying in Washington. However, neither CATCHA, nor its parent organization—United Conservatives of America—nor its principals, including Mr. Siljander, whose name is on the letterhead and in the signature block of the mailing is actually registered as a lobbyist. They maintain they would lobby on their behalf; however, they are refusing to register as such.

CATCHA contributions are not tax deductible. And since all contributors are advised—and I would note incorrectly so—that FEC rules require that they provide certain information, it is quite likely that the money elderly contributors have been frightened into giving will be used for purely political purposes or personal financial gain.

Mr. Chairman, I am not sure whether CATCHA lobbied and did not register or whether CATCHA promised and did not perform.

But either way, CATCHA and Viguerie and Siljander appear to be opportunists who may have acted on the very fringes of the law—and at the expense of those for whom they claim concern! Perhaps we should have the postal inspectors and the FEC or the Department of Justice to look into this particular operation.

The public will, I hope, Mr. Chairman, be less likely to be taken in by the government look-alike mailings—such as those of CATCHA or the Society Security Protection Bureau—once S. 273 actually becomes law. This I expect will take place early in next year's session, once we have resolved several outstanding issues on the matter of Postal Service enforcement.

But what of mailings that are not caught in the net we cast with S. 273? Mr. Chairman, I think public awareness is the key and hearings like this, hopefully, can help sensitize the public to these abuses.

In this regard, I respectfully propose that you and Senator Heinz and our colleagues on the Aging Committee, on the Social Security and Postal Subcommittees join us in an effort to explore the feasibility of establishing a mail fraud alert system. We need it and we need it now. We need it now more than ever before. A kind of clearinghouse on what would rely on existing consumer affairs networks at the State, and at the local level, to better inform the public of misleading and down right fraudulent mail solicitations. I plan to pursue this proposal and I know that we will receive the cooperation of the involved members of the respective committees.

Mr. Chairman, once again, you have performed a true public service in bringing this matter to the public's attention once again. I thank you for the opportunity to testify this morning.

[The prepared statement of Senator Pryor appears in the appendix.]

Senator MOYNIHAN. We thank you, Senator. I am honored to be a co-sponsor of your legislation. If you have to go, perhaps you could hear just one or two comments.

First of all, I think the idea of a mail fraud alert system—and I see Senator Heinz agreeing and I am sure Senator Daschle will want to say something—is much in order. You mentioned an attorney you had heard from. You know, an attorney in Arkansas gets mail and he can read—he knows what he is getting.

We're not here to display exhibits. But I had a lady from upstate New York send me just a few weeks ago a sample of letters. I guess she said it was not a sample. The number of letters her 85-year-old father had got in 1 month. And here they are. They would terrify you. They chill your blood. This gentleman is apparently not as—hasn't all the faculties he used to have. And he begins to hear that he owes money. He begins to learn that he is behind. He begins to get followup phone calls. He will send in $7 and then they want him to send in the next $7 and the next thing you know he is being called, "This is the second notice."

And his life is just coming apart as he sits there wondering, having led a very respectable life, that he has suddenly become behind and in difficulty. I have to tell you he has led a very especially respectable life, he's Republican. And the poor man keeps getting letters from Republicans who want to—you know, the American Security Council and Major Generals. He has three let-

ters—I counted them—from John M. Poindexter who urgently needs his assistance because "I must now face the liberals' accusations surrounding the Iran Contra Affair."

I did not think that liberals were running the Attorney General's Office, but no matter. [Laughter.]

It will just chill you.

The other thing to say though with respect to the CATCHA or that other group's gold embossed Social Security card, can I just say that for almost from the day I came to the Senate, I have been trying to get the Social Security Administration to develop a permanent Social Security card—something beyond that simple paper card we got in the 1930's. It is so easily counterfeited and so evidently not so very consequential.

The Social Security Administration will not do this. It's a nice bit of bureaucratic institutional memory that in the 1930's there were many charges that President Roosevelt would turn the Social Security card into an identity card. And the original cards said, "Not to be used for purposes of identification." They were meant to be pulpy and wear out in 6 weeks or whatever and not give you any sense that the Third Reich was appearing in the United States.

To this day, when people get their Social Security numbers at birth, when we use them as your I.D. number in the Armed Services, your number in college, they still resist it. I got the bill passed in 1983 and indeed they proceeded to produce a "tamper proof" card; and they did it by using the same paper, but putting very fine threads in it. So that the FBI could establish a forgery under the microscope. You and I couldn't tell the difference. I turned and appealed to our Office of Technology Assessment and they said, no it fits the requirements. It's tamper proof; you could always detect a forgery; you can't buy these in Tiauana.

The Social Security Administration has brought some of this on itself by not being willing to respond to these things. That is perhaps another matter.

Senator Daschle, would you like to speak to Mr. Pryor. I know he'll have to leave.

OPENING STATEMENT OF HON. TOM DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. Mr. Chairman, I know that they have busy schedules too. I would only commend both of them for their comments. And like you, I would like to be a co-sponsor of Senator Pryor's efforts here.

Senator PRYOR. Thank you, Senator.

Senator DASCHLE. He, as Chairman of the Aging Committee, is probably more attuned to much of this than anyone else here on the Hill. I applaud him for his leadership.

This is the end of the session. There are many things going on today. But I don't think anyone in this audience or anyone who may see this on camera ought to be mislead by the absence of people at this subcommittee hearing. I can assure you, there is more interest and more determination to come to grips with this problem than almost anything else my colleagues and I have dealt with in the Senate.

These groups may have won the battle on Catastrophic Health Insurance. They may have won the battle. We may have a repeal of catastrophic, but they are going to lose the war. They are going to lose it; and they are going to lose their credibility. And ultimately, some of them, because of legislation hopefully we will pass one of these days, will be thrown in jail for the kinds of things that have been perpetrated on senior citizens. It is outrageous. It is just outrageous.

I hope I can speak for all of my colleagues. Whether it is Senator Pryor's bill or anything else that we do, next year we are going to take issue on this. It will not be at the end of session. And if it takes the year after that, we will do it then. But sooner or later we are going to come to grips with this thing and, sooner or later, the mail responsible for scaring the wits out of senior citizens is going to be stopped.

I applaud the Chairman for his courageous effort. In spite of all the things we could be doing—and we have 150 things going on in the Senate right now—he saw fit to emphasize this issue. And I am going to follow him and work with him to see that we resolve this matter.

But I hope that everyone of these groups is put on notice. This is just the beginning. It is not over. We are going to follow this thing, if I am the last person here in the Senate; we are going to follow this thing until it is resolved and senior citizens have their day in court.

So I thank you, Mr. Chairman; and I thank you, Senator Pryor.

Senator MOYNIHAN. Good for you, Senator. Thank you, Senator.

Senator PRYOR. Thank you, Senator Daschle and Mr. Chairman.

If I may briefly respond. You know, 30 years ago we would not have needed this legislation. There were no computers; there were no real mailing lists 30 years ago. But today these companies and individuals trade mailing lists like baseball cards. They have become one of the most valuable commodities in our economy.

But most of those lists have names of vulnerable individuals, of those who can be brought to believe that something is going to happen when in fact it is not going to happen. As I stated earlier, they exist and they profit on fear. Fear. And it is terribly hard to deal with fear. It is equally as hard to deal with lies. But both of you have committed to dealing with this issue and I am very proud, once again, to have been a part of this hearing.

Thank you both.

Senator MOYNIHAN. Thank you, Senator Pryor.

And now, Senator Heinz.

OPENING STATEMENT OF HON. JOHN HEINZ, A U.S. SENATOR FROM PENNSYLVANIA

Senator HEINZ. Mr. Chairman, thank you. I just want to commend at the outside Senator Pryor for having done a superb job of laying out the problem. And I commend you, Mr. Chairman, because I know going back many years of your concern and interest in this matter for having this hearing today.

We all—and I know Senator Daschle shares it—have a shared interest and that is first and foremost to help to ban deceptive solicitations from the mailboxes of the American family.

As Senator Pryor has illustrated, over the last several years many of our colleagues have heard about the tricks and schemes used to deceive consumers into opening mail and sending donations. As ranking member on the Senate Committee on Aging, with Senator Pryor our chairman, I have been especially concerned about this type of deception, since the victims are often retirees on fixed incomes who may ultimately forego paying their utility bills or prescription drugs to line the pockets of flim-flam mail operators.

On a broader level, Mr. Chairman, in an age of growing public mistrust in Government, this type of mailing adds significantly to that loss of faith.

Senator MOYNIHAN. Yes.

Senator HEINZ. Because it preys on people's basic confidence in Government and in the legislative process. Now let me give you a little example.

Many older individuals, many senior citizens, believe that us—Senators and Members of the Congress—are involved in these organizations. Some have been started by former Members; some take our names sometimes in vain. And frankly, I resent the implication and it really stings.

I recently got a letter from a constituent of mine in Sunbury, PA. This voter wrote me to ask, "Just what do you mean sending letters out to the poor asking for $10 to save Social Security? You are all getting raises and we are just hanging on wondering how to live from day to day." Very timely on the raise bit, I guess, Mr. Chairman. But even without what we were voting on last week, the point is that people in this country have no right to put words in our mouths or any other branch of government.

As you know, one particular concern for me has been deceptive mail which arrives in the form of Federal look-alike mail. By Federal look-alike mail I am referring to those types of deceptive mailings—an example is here—that imply a Federal Government connection when none whatsoever exists. The mailer, by using Federal look-alikes is trying to give the impression that there is an official Government document enclosed so the customer will not hesitate to open the mailing.

Some of, and what you have there, is replete with eagles and green scrolls, a Petition to the U.S. Senate, looks like it came from the Healthcare Financing Administration, you know, the right color of envelope that is typically put in the mail. And my eyes are not what they used to be, but one of these, if it is the one I think it is, says, "Please use this postage paid envelope to return your Hyattsville, Maryland Petitions." That's where the Social Security Administration's offices are—Hyattsville, MD.

As a matter of fact, I noticed on Senator Pryor's chart on the Justice Department notification. In the upper left-hand corner, there's a very interesting box. It says, "Attention $2,000 fine or 5 years imprisonment or both for any person who knowingly interferes with the delivery of this notification."

Now I don't know if that is the fine for interfering with any piece of mail. But by putting that notification on it, it gives a coloration of urgency and officiality that to my mind is totally and thoroughly reprehensible.

Senator MOYNIHAN. Yes. Only Government imposes fines.

Senator HEINZ. That is correct.

Senator MOYNIHAN. This must be from Government. Yes.

Senator HEINZ. So some, Mr. Chairman, of course, have in addition to these look-alike and other devices have sound- alike names. The sound-alike approach implies an association with us, the Federal Government, by using organizational names that sound like Federal Agencies. Like, as Senator Pryor showed us, the Social Security Protection Bureau. My favorite is "The Internal Review Service."

Recently, a constituent brought to my attention a mailing from the National Senior Advisory Center. This senior citizen receiving a mailing that looked like a notice from the Healthcare Financing Administration, designed to mislead elderly readers about changes in Medicare to get them to send for information about Medigap policies.

And another mailing from the Senior Citizens Advisory Council, which I suppose should not be confused with the National Senior Advisory Center, asks senior citizens if you have interest which you are paying taxes on, such as certificates of deposit, money market funds, savings account bonds, et cetera, and would like to know if you are unnecessarily paying taxes. Send the postage-free card back immediately. What they are trying to do, obviously, is get senior citizens who have any money at all to tell them so they can sell those names or mail back to those senior citizens a particularly for them lucrative—the mailers—lucrative response device as I believe it is called in the trade.

Of course, what they are really doing is invading the privacy of seniors and setting them up for what is currently a perfectly legal form of robbery.

So, Mr. Chairman, that is why I introduced, together with my friend and colleague and yourself and others, the Deceptive Mailing Prevention Act, S. 273. I am grateful for the support that Senator Pryor and you have given to the Deceptive Mailing Practices Act and what it would do is to stop these mailings by giving the Postal Service the authority to require that any Federal look-alike or other quasi-Federal documents carry a clear and prominent disclaimer on the envelope and on the enclosed document itself.

Let me state that although I gather we will hear later on from the National Committee to Preserve Social Security and Medicare, they have over the years put out what looks to be a fairly official kind of document. There is down here, which I cannot read anymore because I am too vain to wear my spectacles—thank you, Senator.

Senator PRYOR. I will loan Senator Heinz my glasses.

Senator HEINZ. Thank you very much, Senator Pryor.

It says there is what you might call a disclaimer if you are able to see it and then focus on it, which is, "Prepared and mailed for the National Committee to Preserve Social Security, a non-profit tax exempt organization." And then it says, "The National"—in

slightly larger, or micron larger print—"The National Committee is independent of Congress, every government agency and all political parties." That is the right idea.

Senator MOYNIHAN. Yes, sir. But can I say——

Senator HEINZ. But to have it down as about as small a print as a fly spec is not the right idea. We would, in our bill, make it very clear for people who did not need to borrow a colleague's glasses or those that did, that this is not a legitimate reputable solicitation or notification from the Federal Government.

Senator MOYNIHAN. Senator, could I just interject here. I have my glasses on and you don't need glasses, as a matter of fact. In much larger type, it says, "Attention Postmaster: Time dated official National Committee documents enclosed. Expedite for immediate delivery." Now that sounds like you had better watch out postman or you are going to be in trouble.

Senator PRYOR. Or you are going to be indicted or something like that.

Senator HEINZ. Mr. Chairman, one question I have inevitably been asked is: Does S. 273 infringe on anybody's first amendment rights? Does it interfere with people's freedom of speech through the mails? And the answer to that question is no, absolutely not. We do not tell people what they can and cannot write. If people want to lie in the mails, we are not going to stop their lying. They have a perfect right to do so. But, they do not have to pretend, and we do not have any obligation to allow them, to say that it is us, the Congress or the Social Security Administration or any other branch of Government that is doing the lying.

If people want to lie, in other words, fine. But let them be clear who the liar is. It is not us. It is them. And the notification that I have described will do that.

Senator MOYNIHAN. You would also grant that there is something even so called fraud.

Senator HEINZ. There is and if the fraud is sufficiently serious you will be prosecuted for it. Unfortunately, Mr. Chairman, as it is currently defined, I do not believe—I am not a legal expert—but I do not believe most of the flim-flam that goes on can be prosecuted as fraud because there is always a little way out. It was not the U.S. Justice Department down there; it was Justice Department, whatever that is.

As a result I think the best way to deal with this is to make sure that there is a disclaimer that cannot be missed.

Mr. Chairman, let me just make one other comment on regulation. In addition to the Postal Service, the Federal Trade Commission also has the power to prevent deceptive mailings. But the FTC has no regulatory authority over certain non-profit organizations and persons involved in the insurance industry. The insurance industry is protected from the FTC. I think it has something to do with McKarin Ferguson and the decision we made many years ago to keep the Federal Government totally out of the insurance industry.

In areas where it does have authority, the Commission may initiate civil proceedings in cases of unfair or deceptive practices, seek consumer restitution and place civil penalties on those who violate the law. I might also add that in 1988, just last year, we did give

the Department of Health and Human Services to seek and penalize those who target seniors with mailings that imply a connection to the Social Security and Medicare programs. And to the extent there are people who come before the committee today or on future occasions and say that we have cleaned up our act, there may be a good reason for them having done so, which is that last year we created a law that said they could be prosecuted, and would be hopefully prosecuted, if they did not.

Yet, Mr. Chairman, with all of these tools, senior citizens continue to be ripped off. And individuals and companies who use deception and hype continue to earn enormous profits. So this Senator believes, as I know you do, Mr. Chairman, that we need a bigger stick to protect our constituents and we have an obligation—a moral one in my judgment—to stop these kinds of deceptive activities.

Mr. Chairman, let me make one other comment about people who were invited to be here but declined to be here. My view is that this is a very important subject. And that ultimately the people who have been invited to testify run the risk of being subpoenaed if they decline to testify. And if we have a standard of information procurement that is uniform and understood by the committee, and that applies to witnesses here today as well as witnesses we may call tomorrow, my view is that this committee is entitled to that information and that we should seek it if it is pertinent to our investigation.

Obviously, a lot of information is pertinent to what we are doing here and therefore I would just like to say for the record that, people who declined to attend, who get invited to a staff pre-conference as is typically done in investigatory work and refuse to attend such an informal meeting are at risk of being hit with a congressional subpoena and correctly so.

Thank you, Mr. Chairman.

Senator MOYNIHAN. I thank you very much, Senator. I do note your comments about subpoenas. This committee has subpoena power and may exercise it. We will consult with one another about that.

I wonder if I could ask the two of you just a question to which I do not know the answer—and that shows I am not a lawyer.

Do you feel the Social Security Administration has been too passive in all this? Maybe they feel they ought to be but I would have liked to see them get behind the idea of having a real Social Security card that is your Social Security card and you cannot mistake it and now people are selling them Social Security cards. Should they be keeping an eye on things and sending them to the Postal Service? What do you two think? Both of you are distinguished attorneys.

Senator PRYOR. Well, Mr. Chairman, I feel that the Social Security Administration could adopt an affirmative action program in this area. And with the benefits that are being sent out to the Social Security beneficiary, I think that affirmative action program could very well include enclosures in those envelopes making the senior citizen beware of such fraudulent schemes as are being perpetrated against them.

I also sense that the Social Security Administration could have a hotline whereby that recipient, upon receiving some of the mail that Senator Heinz and yourself and myself have introduced into evidence today, upon receiving that could call the Social Security hotline and say, "What is this?" "How important is this to me?"

I think in this day and time the Social Security Administration is going to have to be much more diligent.

Senator MOYNIHAN. Senator Heinz, would you like to comment?

Senator HEINZ. I would like to endorse both those suggestions. There is no reason whatsoever that once the Social Security Administration receives a certain number of complaints, either directly or forwarded to them by us—either House members or Senate members—that they should not slip into that envelope that goes out every month with the check in it a notice that says, we have received numerous inquiries or complaints about a mailing from—name the organization. This organization has absolutely no connection with any Branch of the Federal Government or it might have a whole list of organizations that they have received a threshold number of complaints on.

I think more than anything else that would get these organizations to clean up their act. But I would rather make sure that there are not any complaints in the first place by making it perfectly clear that whoever it is that is pretending to be the Justice Department or the Healthcare Financing Administration, as this is, or the Social Security Protection Bureau, are in fact no kith or kin to anybody in the Federal Government.

Senator MOYNIHAN. Senator Daschle, do you have any comment?

Senator DASCHLE. Well, Mr. Chairman, I would agree wholeheartedly. I think the Social Security Administration can be much more helpful and much more aggressive in this effort. Next year I hope we can work with the Social Security Administration to address these. There is no reason for delay. We in Congress must put the pressure on and continue to work to find a resolution, to this matter. I am very pleased to see the leadership we have seen thus far from the Senators here today.

Senator MOYNIHAN. As Senator Heinz knows, if we have any luck with our reconciliation bill today, we will finally have established the pattern of the Social Security Administration sending out regular statements to people paying in, telling them what they can expect when they retire.

And may I just say that I can be a source of information to all of my colleagues in this regard because I have passed that great divide where I now, myself, receive in my capacity as a senior citizen the mailings you are talking about. [Laughter.]

So I can be a bearer of it. I do happen to have a feeling—and this is sort of iffy talk. But out there in the Social Security Administration, they are still anxious about the charges that were thrown around in the 1930's that they were going to be a big aggressive agency that had everybody's number and knew all about them. In 50 years there has never been a touch of scandal. To the contrary, they have never been a day late or a dollar short. The records have been kept entirely private. But they are still a little passive, I think, as if they are afraid somebody is going to accuse them of something from the past.

With 39 million beneficiaries it is time they felt we like them, because we do.

Thank you, gentlemen.

Senator Pryor.

Senator PRYOR. Mr. Chairman, if I may, could I ask consent of the committee to have one more little episode that I want to bring to your attention and to the attention of Senator Daschle placed in the record. I think it would make our hearing record more complete.

Senator MOYNIHAN. And what is that?

Senator PRYOR. Back in February, Senator Heinz and I on S. 273, holding a hearing on this subject, had many documents and many types of letters. We just blew up a few today. But, Mr. Chairman, this one is a classic and I could not let it go by. I wish I had it blown up. I do not.

Here is a letter with the grand ole American eagle up there in the left-hand corner. Listen to this, "Department of FBI, California Division." And down on the left of the envelope—Senator Heinz is familiar with this. In fact, he may have contributed this to the hearing. "Notice of attempt to serve warrant of appearance. Notice to claim cash or merchandise."

Well the Department of FBI, California Division, Mr. Chairman, is actually a group called "The Fountains Bureau of Invitations." This is a land development company selling lots primarily to senior citizens in 129 miles from Los Angeles, CA. But when a recipient—I know had I received this at my home, "Notice of attempt to service warrant of appearance. Department of FBI, California Division." I would have had a stroke and heart attack and probably both. So I can only assume what happened to some of these poor souls. I would like to put that one in the record, Mr. Chairman.

Senator MOYNIHAN. It is so ordered and with great gratitude to the Committee on Aging.

[The information appears in the appendix at the end of Senator Pryor's prepared statement.]

Senator PRYOR. Thank you.

Senator MOYNIHAN. Senator Heinz.

Senator HEINZ. Mr. Chairman, I know Senator Pryor was gesting about, I think, having a heart attack or a stroke on getting that notification, but it is in fact no laughing matter because I know of at least one case where a notification from the Government—this happened to be unfortunately an authentic notification—to a mentally unbalanced person who had been receiving Social Security disability benefits, caused that person to commit suicide.

It, in fact, was a constituent of mine in Philadelphia, Pennsylvania. This was some years ago. Fortunately, there have been no instances since. But it can be literally true. That this kind of mailing can be hazardous to our constituents' health, and even life threatening.

Senator MOYNIHAN. I believe, sir, there is something in the literature on that. And what more indeed we know. I just remarked before you came in Tom that Gwendolyn King came around last week. On November 3 when the debt ceiling issue was about the Social Security Administration on 1 day received 820,000 telephone calls.

Gentlemen, thank you very much.

This is not necessarily the last of these hearings, as you know. God, can't say we are not inventative people. But we appreciate this a very great deal.

Now we are going to hear from a—in fact, Representative Stark is delayed. I am going to put his statement in the record, as if read at this point, and we will get to him should he be able to come here from a catastrophic health conference.

[The prepared statement of Congressman Stark appears in the appendix.]

Senator MOYNIHAN. And so we now go to our next witness and a very welcome one, a rare occasion for us, Mr. Kenneth Hearst, who is the Assistant Chief Inspector for Criminal Investigations of the Postal Inspection Service.

I have reason to believe that Mr. Hearst has not come alone. So would you introduce your colleagues, Mr. Hearst. We welcome you, sir.

STATEMENT OF KENNETH M. HEARST, ASSISTANT CHIEF INSPECTOR FOR CRIMINAL INVESTIGATIONS, POSTAL INSPECTION SERVICE, WASHINGTON, DC, ACCOMPANIED BY TIMOTHY J. MAHONEY, POSTAL INSPECTOR, EASTERN REGION, BALA CYNWYD, PA, ALSO ACCOMPANIED BY GEORGE C. DAVIS, ASSISTANT GENERAL COUNSEL, U.S. POSTAL SERVICE, WASHINGTON, DC

Mr. HEARST. Thank you, Mr. Chairman. I am Kenneth M. Hearst, Assistant Chief Inspector for Criminal Investigations. I am accompanied by assistant general counsel, George C. Davis, on my right.

Senator MOYNIHAN. Mr. Davis, we welcome you.

Mr. HEARST. And Postal Inspector, Timothy Mahoney, on my left.

Senator MOYNIHAN. Mr. Mahoney, welcome.

Mr. MAHONEY. Senator.

Mr. HEARST. With your permission, Mr. Chairman, I will submit my written testimony for the record.

Senator MOYNIHAN. It will be included in the record as if read. Proceed exactly as you would like to do.

[The prepared statement of Mr. Hearst appears in the appendix.]

Mr. HEARST. I would like to summarize a few of the main points I make in that testimony, sir.

The Postal Inspection Service is the law enforcement and audit arm of the Postal Service. We are one of the oldest investigative agencies in the U.S. Government. And under legislation enacted by the last Congress, we also serve as the Inspector General of the Postal Service.

Since they were enacted in 1872, we have enforced two of the Federal Government's oldest consumer protection laws—the mail fraud statute, title 18, U.S. Code, section 1341 and the postal false representation statute, title 39, U.S. Code, section 3005.

Any scheme intentionally to deprive someone of property through false or fraudulent pretenses or representations where use of the mails is an essential aspect of the scheme is declared a felony by the mail fraud statute. Any attempt to obtain money or

property through the mails by false representations or the operation of a lottery violates the postal false representation statute.

Violations of the mail fraud statute are punishable by fines and imprisonment. The penalties for violation of the civil misrepresentation statute include administrative orders that prevent violators from receiving mail in response to the scheme and direct that they cease and desist from continuing the scheme. Violations of the cease and desist orders may result in civil penalties of up to $10,000 per day.

Our fraud and misrepresentation cases reflect a full range of greed and include schemes which are designed to victimize particular segments of the public, such as the elderly. Misleading solicitations such as those we have all seen in recent years that premise an appeal for funds upon a threatened reduction of Social Security benefits understandably have a great impact upon elderly persons who rely upon Social Security benefits.

I have mentioned in my written statement some of the fund solicitation cases we have investigated in recent years. In the past two postal fiscal years, we have conducted 141 investigations involving fund solicitations. Most recently, for example, we initiated civil proceedings against Pacific West Cancer Fund, Robert R. Stone and the Watson & Hughey Co. concerning a solicitation that purports to be a prize award notification from an attorney, Robert R. Stone.

In fact, the prize most recipients receive is a check for approximately 10 cents. We obtained a temporary restraining order against the delivery of mail in response to the solicitation and negotiated a consent agreement covering solicitations conducted by Watson & Hughey on behalf of Pacific West Cancer Fund, Cancer Fund of America, Cancer Association of Tennessee and the Walker Cancer Research Institute.

The agreement provides that the organizations must cease and desist from falsely representing that they use funds raised primarily for the stated charitable purposes and provide many of their contributors to obtain refunds.

Just in the past few weeks an investigation we conducted along with other agencies resulted in the conviction of Jim Bakker and others for mail fraud in connection with the use of funds solicited by the PTL organization.

Senator MOYNIHAN. Now, sir, we are accustomed to addressing our Secretary of State as Jim Baker. You mean the other Jim Bakker.

Mr. HEARST. Yes, sir. Most definitely. The PTL Bakker.

The practice of mailing envelopes which look like they came from a government agency typically is more cognizable under the false representation statute than the mail fraud statute because of the difficulty in these types of cases in proving intent to defraud beyond a reasonable doubt.

But many mailings, which may confuse some postal customers into believing that they originated with an agency of the United States government cannot successfully be challenged under either statute.

To prevail under the false representation statute we must show more than the fact that the solicitation is confusing. We must show

that it misrepresents a material fact. Under our case law, this determination depends upon a review of the entire mailing. While a look-alike envelope considered alone might be actionable, if the contents of the mailing make it clear that it did not original with the government, the mailing is not actionable.

Senator MOYNIHAN. And even down in the small print, if it's there?

Mr. HEARST. Yes, sir.

Look-alike envelopes often are of a color similar to that used by the Government as we have seen this morning and almost always bear a trade name that sounds somewhat like a government agency and a Washington, DC mail drop address. Frequently the illusion of government origin is enhanced by the use of printed matter urging the purchase of savings bonds, purported instructions to Postmasters on how to handle the mail or some claim to be official business. And we've seen evidence of that this morning.

Another common device involves the use of emblems such as an eagle, which are similar to official emblems of government agencies. All of these deceptive practices fall short of violating the specific criminal prohibitions against misuse of government names and symbols that are contained in chapter 33 of title 18.

To deal with this problem, Mr. Chairman, you, along with Senators Heinz and Pryor, and others, are sponsoring Senate 273, a bill which we support and which would restrict the mailing of such solicitations. Once before, the Congress found it appropriate to expand the reach of postal false representation statute to include a confusing practice that could not successfully be challenged under the existing statute.

Senator MOYNIHAN. Where are you in your written statement, Mr. Hearst?

Mr. HEARST. I have a summarized statement here, sir, that does not correspond with yours.

Senator MOYNIHAN. Okay. Say that once again, all right. Once before——

Mr. HEARST. Once before, the Congress found it appropriate to expand the reach of the postal false representation statute to include a confusing practice that could not successfully be challenged under the existing statute. And if I may go on?

Senator MOYNIHAN. Yes.

Mr. HEARST. A deceptive marketing technique of the 1960's involved the mailing of publication subscription solicitations that were designed to look like bills for an existing subscription. Those who carefully read the document and consulted their records knew there was no existing obligation to pay the bill. But the promoters correctly assumed that many recipients would take on faith that the relatively minor sum was owing and pay it. Congress responded to this problem in a manner very similar to that proposed in Senate 273.

Section 3001 of title 39 was enacted to require prominent disclosure on the face of such documents of their true nature. And section 3005 was amended to provide that, failure to provide the disclosure would constitute a prime facie evidence that it had been violated.

While we still encounter these mailings from time to time, the legislation appears to have had a significant impact. In addition to the Social Security mailings, we frequently encounter advertising that implies government origin to market medallions under a false impression that they are coins minted by the United States Mint or to solicit funds, allegedly for medical research under a false impression that the funds are sought by an organization affiliated with the National Institutes of Health or to solicit fees for information which would give an advantage to participants in mineral leasing programs conducted by the Department of Interior or purchasers of surplus government property.

The investigation of questionable appeals for funds is one of the most difficult challenges we encounter. We lack authority under our civil misrepresentation statute to demand access to the books and records of questionable organizations and it is more difficult in these types of cases to obtain sufficient probable cause for the issuance of subpoenas than in typical mail fraud cases.

The victims of phony fund appeals generally do not know they are victims. While victims of other mail fraud schemes fail to receive something they were supposed to receive, suspect they have been cheated and bring the facts to our attention.

In the case of charitable solicitations, no law specifically prohibits an organization from claiming to be a charity, simply because an insubstantial portion of the contributions it receives actually goes to the intended beneficiaries. The mere fact that a nonprofit organization uses all or most of the contributions it receives on salaries or to cover the costs and fees of professional fundraisers does not necessarily mean that the charity is fraudulent. Although that may affect the decision of the prospective contributors to make a contribution if they knew it.

More than a decade ago we suggested that legislation be enacted that would require persons using the mails to solicit charitable contributions to include with their appeal a summary financial statement of receipts and expenditures. The legislation did not pass and the Supreme Court's 1988 decision in *Riley* v. *National Federal of the Blind of North Carolina* places restrictions upon the extent to which such requirements may constitutionally be imposed.

We continue to believe that such disclosures would reduce consumer deception and should be required to the extent consistent with the Constitution.

That concludes my summary.

Senator MOYNIHAN. That is a very fine statement.

Let me ask you and perhaps Mr. Davis and Mr. Mahoney would join in if they would like: How do you feel about the situation we have now? This is something—I think this is something new. Mail fraud is obviously something old. We have Civil War statute. But there are now 32 million seniors out there and they are rather dependent on the mail. Their livelihood comes in the mail. That check comes once a month. I mean, think about that.

Mr. HEARST. Yes.

Senator MOYNIHAN. So they open the mail and they get—I mean we have this extraordinary sensitivity when 820,000 people call up Friday to say, "Am I going to get my check on Monday?" Do you have any advice for us, sir? We don't see you in our committee

often and we welcome you obviously. What do you think about the kinds of legislation we are talking about? We legislated last year and that provision, as Senator Daschle knows in the Catastrophic Health Act last year will continue even if we repeal the main features of the insurance itself.

Mr. HEARST. We strongly support the work that your committee is doing as well as the work that Senator Pryor is doing. We certainly endorse the remarks that we heard this morning by both Senators and by yourself. We certainly agree that procedures such as this—or hearings such as this go a long way toward educating the public. At the same time, we also in the Inspection Service do have consumer protection programs and prevention programs designed to educate the public concerning some of these kinds of frauds that may take advantage of them.

So we strongly endorse the work. As I mentioned, we do support this legislation. We think it would go a long way toward bringing these kinds of mailings under control.

Senator MOYNIHAN. Senator Daschle.

Senator DASCHLE. Mr. Hearst, I would just ask you: Would you support something that goes beyond the legislation that has been introduced? Obviously, the bill is good as far as it goes. But frankly, I wonder whether there are not ways that we can pursue this even more aggressively and if there are, I certainly would like to have some suggestions.

Mr. HEARST. Well something we have supported in the past is subpoena authority in some of our civil investigations and that might be helpful. Mr. Davis may have something more.

Senator DASCHLE. Excuse me. Before you go on, let me just flush that out a little bit. You don't have subpoena authority today?

Mr. HEARST. We do, of course, in criminal investigations that we are involved in through grand juries. But in civil investigations we do not—civil investigations of the false misrepresentation statute. This makes it somewhat difficult for us to look at the records of some of these organizations that are suspected of being involved in some of these activities.

Senator DASCHLE. Are there instances where the lack of subpoena authority for civil purposes has thwarted an investigation within, say, the last 12 months?

Mr. HEARST. Yes, sir. Yes, sir; we certainly have.

Senator DASCHLE. Okay.

Mr. Davis, what else?

Mr. DAVIS. Well I think Senator Moynihan has put his finger on the problem. This is something new in the last 10 years. I think it is very difficult to draft legislation that outlaws sleaze and that is all we are talking about now.

Senator MOYNIHAN. You got it.

Mr. DAVIS. It is not simply a question of taste, although that is involved. It is probably not simply a question of morality, although that is involved. It is also a question of the First Amendment. You are free to be inaccurate. You are free to be untruthful. In trying to disseminate political views and to raise money for political causes, and that is the umbrella that a lot of this junk falls under.

I do not know how you would draft a law that really would cover this sort of thing. Our point on subpoena authority is not a whole

answer to that by any means. But what we get all the time from you and your associates on the House side are letters and phone calls saying, what is this outfit, what are these people about. "I have 700 letters from constituents who are frightened by this junk." What are they doing with the money? Well, we do not know. And we cannot find out.

We suspect they are padding very nice payrolls. We suspect they are doing a lot of things with the money other than what they say they are doing with it, but we do not know. We can find out in criminal proceedings, if we have enough cause to go to a Federal grand jury and obtain that information, that is fine. But when we obtain it, we cannot share it with you. That is sometimes a cause of friction because the Federal rules of evidence do not allow us to discuss or reveal information obtained through grand jury.

Senator MOYNIHAN. You can tell us when there is a verdict.

Mr. DAVIS. Oh, yes. Much later, much down the road. But you are getting your complaints now. You are not getting them 3 years from now.

Senator MOYNIHAN. That is right. We have to legislate now.

Mr. DAVIS. That is exactly so. And by the time you go through a criminal proceeding and a bunch of appeals the horse is out of the barn.

I think the idea of getting some sort of civil subpoena authority to be able to get into these books and records and find out what they are doing and if they are cheating the public, bring appropriate proceedings would be a help. I do not think it is going to be the whole answer.

You can carefully draft those solicitations so that you are not misleading anyone with what you do with the funds and you can still scare them to death to get the funds.

Mr. HEARST. If I might add I think Senator Heinz hit the nail on the head too when he said that many of these organizations they have lawyers themselves and they try to adhere just as close as they can to what is the legal line. Of course, that makes it very difficult to pursue them under false representation or mail fraud statutes.

Senator DASCHLE. That points out the question. We have drawn that line and we have maintained that line for some time. Maybe this has been an historic problem that may never be completely rectified. I have resigned myself to that. But I am just wondering whether that line has been properly been drawn. And you have all outlined it. The difference between mailing something which is clearly untruthful and mailing something with a proven intent to defraud are two different things. And the line that we are talking about divides those two things.

Mr. HEARST. I might also add, mailing something with the intent to confuse, which is, you know, a little bit less I would say in the hierarchy of deception.

Senator DASCHLE. We have the best experts on mail fraud in the country before us right now, so you will have to forgive me if I overindulge my opportunity here. But it seems to me that as much as you have had to deal with this thing, that you would have some ideas—I do not want to put you on the spot—on how we might clarify that line more appropriately. There has got to be a way.

I am not convinced yet that our attorneys are not as good as theirs and that we cannot find some legal definition that will match their ability to defraud the public.

Mr. HEARST. We will be pleased to work with your staffs on drawing such legislation, certainly.

Senator DASCHLE. So in other words, you think there is a possibility of drawing that line finer than we have right now.

Mr. DAVIS. Yes. But I think there is already on the books a different line than the one we are talking about. The Federal Trade Commission statutes, section 5 of the Federal Trade Commission Act, prohibits a broader category of deception than our statutes. We really need a lie. We need something that is demonstrably false. Their statutes will reach things that are deceptive. That is a little more wishy-washy. It is a little broader. Their statutes also permit them to develop trade regulation rules that define what is deceptive in a particular context.

Senator MOYNIHAN. I see.

Mr. DAVIS. We do not have that authority. Our role, historically, has been a law enforcement role rather than a public education role in this area.

You may wish to examine with experts from the Federal Trade Commission how their statutes could perhaps be used to help in this area. I am not an expert on them, but they are broader than ours and their rulemaking authority I think could be used perhaps to do some public education. What is needed with so much of this is to get people to read their mail. You know, not simply to look at the envelope and then say, okay, where do I send the money and send it, but to read it.

Senator DASCHLE. The problem is though, when they do read it, unless they are looking for the fine print, they see the bold print and that is the most misleading and probably the most frightening of all. And they cannot get over the bold print to get to the fine print.

Mr. DAVIS. Oh, yes. I agree.

Mr. MAHONEY. May I make a comment?

Senator MOYNIHAN. Please, Mr. Mahoney, please.

Mr. MAHONEY. What seems to be the target of this present bill is the deception as to who is sending the solicitation. The other end of the spectrum on the problem is, once these people have the money, what do they do with it. Of course, that is of great interest to the people who send it.

As was noted in Mr. Hearst's testimony, the problem there is that if you are buying some goods—if you buy a television or whatever through the mail—you know whether you got that television or not. But what happens here is, you are relying on——

Senator MOYNIHAN. Whether you got that lobbyist.

Mr. MAHONEY. Exactly. You are trusting that they have done that. And if you do not get it, you do not know that. So we do not hear about that.

Senator MOYNIHAN. Right.

Mr. MAHONEY. The only way we can find out what is happening with the money is to get into the books and records. The other thing is some sort of exposure to the prospective donor as to where the money is going or what the past record of that organization is.

Now as was noted again, the Supreme Court has tightened up the requirements on what we can require that they say up front. However, the Supreme Court did say that public education is the answer. One of the things that should be required is that financial statements be made available. Two years ago that was made a requirement in the tax code. If an organization is exempt, they have to have available their past tax forms for examination at their place of business.

Of course, that fact is not made known in the solicitations. Maybe it would meet constitutional muster if there was a provision that that be required to be disclosed.

Senator MOYNIHAN. That is a nice thought.

Say, Mr. Davis, you say you are not an expert on the Federal Trade Commission. May I suggest that you are about to become one. We would like you to give us some advice in that regard. Would you do that for the committee?

Mr. DAVIS. I would be happy to.

Senator MOYNIHAN. And Mr. Mahoney, that is a very nice thought about, you know, this is a constitutional question, but can we require a statement that says, if you want to know more about us, this is how you find out.

Mr. Hearst, would you see that these—perhaps you could do the committee on Finance a great service if you would just let us know your views in this matter.

Mr. HEARST. We would be happy to, Mr. Chairman.

Senator MOYNIHAN. We thank you.

Senator DASCHLE. Mr. Chairman, if I could just ask if each one of those recommendations could be flushed out and presented both to the committee and me. I would really like to pursue these. I think we have just touched on them and we do not have the time today to elaborate and follow through on them. But I would be very interested in each of those ideas and anything else that may come up s you consider these ideas.

Senator MOYNIHAN. After you think of what you've heard.

Mr. HEARST. We will be happy to do that.

Senator MOYNIHAN. Will you do that? And will you accept the committee's thanks. It is too rare that we have an opportunity to meet public servants from other branches. I guess it is almost another Branch now, isn't it? It is the oldest one. Benjamin Franklin got you going and you are obviously going very good and very well.

Thank you, gentlemen, all and we look forward to that communication which, Mr. Hearst, perhaps you can put together for us.

Mr. HEARST. Yes, sir.

Senator MOYNIHAN. Thank you.

And now we have one last expert witness and that is Mr. Dennison Hatch who is Editor and Publisher of "Who's Mailing What! Mr. Hatch, we welcome you, sir. We have your statement which we will include in the record as if read. And you proceed exactly as you think best.

[The prepared statement of Mr. Hatch appears in the appendix.]

STATEMENT OF DENISON HATCH, EDITOR AND PUBLISHER, WHO'S MAILING WHAT!, STAMFORD, CT

Mr. HATCH. Mr. Chairman, members of the committee, I appreciate the opportunity to be here today. I will be glad to answer any questions about direct mail that I can.

For the record, I am editor and publisher of a 10 times a year newsletter called, Who's Mailing What! With about a circulation of about 1,500 people in the direct marketing industry.

Senator MOYNIHAN. May I just ask, would you describe that as I would describe it, as a trade publication?

Mr. HATCH. Yes, sir. Absolutely.

Senator MOYNIHAN. That this goes out to the people who are interested in this work.

Mr. HATCH. Yes, sir.

Senator MOYNIHAN. This activity.

Mr. HATCH. Yes, sir.

To create the newsletter, I physically looked at 4,000 to 5,000 mailings a month. I received many at my own address. The majority are forwarded to me by a network of some 20 correspondents around the country. Each issue of the newsletter lists some 1,500 to 1,700 mailings in nearly 200 categories and I write about the ones that I believe are important.

Subscribers who want to see any of the mailings from the current month or from my library of 8,000-plus mailings can call me up for photocopies. The whole point of my enterprise is help mailers see what is out there and mail smarter.

I also published the "1990 Directory of Major Mailers and What They Mail," that lists names, addresses and phone numbers of more than 4,000 mailers and analyzes more than 16,000 offers received over a 12-month period.

Direct mail is the second greatest medium after television. Because of television, the Vietnam War was exposed to the American people in the most graphic manner in their living rooms, history was changed. Because of direct mail, Congress rescinded the Medicare Catastrophic Coverage Act. It happened with devastating suddenness.

Senator MOYNIHAN. I think that is fair.

Mr. HATCH. Here was another instance——

Senator MOYNIHAN. And the first time in history that a title of the Social Security Act will have been effectively repealed.

Mr. HATCH. Here was another instance of a great issue of the day being debated in the mails—organizations using vast influence on their constituencies by communicating with them directly on a one-on-one basis.

Direct mail is secret. If I mail 5,000 pieces or 5,000,000 pieces only two people know the quantities—myself and the post office. From the point of view of traditional media that depend on traditional news gathering sources, direct mail is not only secret but deadly dough. No pickets, no tear gas, no fiery oratory to rile up mass rallies, no fights breaking out in front of an abortion clinic. In short, no action.

For these two reasons, secrecy and dullness, direct mail is passed over by the media. As a result many events occur. Movements

start, politicians get elected and defeated, a startling national turnaround on the subject of pro-choice, the Catastrophic Medicare bill is rescinded, all happens for reasons that the pundents cannot explain and the answer is direct mail.

Let me say first off that I believe direct mail is not only a major force in this country, but a force for good. Let me put direct mail into perspective. Direct mail is the largest single advertising medium. More money is spent on direct mail, approximately $21 billion a year, than on newspapers or magazine space or radio or cable television or network television. More advertising dollars are spent on network and cable television combined, but not if the two media are split.

Last year some 62 billion pieces of third class mail found their way into the American homes and businesses. More than double the 26.3 billion 10 years earlier. Direct mail will get even bigger. There are three reasons why direct mail advertising is on the ascendancy and television advertising on the decline.

First of all 20 years ago a television advertiser had four choices—ABC, CBS, NBC or a buy of independent stations. Today cable has dramatically dispersed the audience. Network television is no longer the central power it was. Secondly, the zapper or mute button on remote controls enable the viewer to silence commercials or flip around the dials when the commercial comes on.

Finally, the advent of the VCR allows viewers to tape programs and screen them at their convenience. This enables them to skip the commercials by running fastforward.

Unlike television which is a shotgun medium, direct mailers go out with a rifle. They can mail to Hispanic families who have 3.7 children, incomes of $50,000 or more, drive Lexus cars, or any of dozens of demographic, psychographic, geographic or financial parameters and overlays.

At its best, direct mail is very, very good. People complain about the glut of catalogs. Yet, the catalog enables any person, rural or urban, to have a complete shopping mall on the bookshelf—clothes, jewelry, electronics, furniture, shoes, books, records, gifts, fine art, kitchenwares, garden items, camping equipment—the entire range of goods and services are as close to the person at home as the nearest telephone. And the use of an 800 number makes ordering not only convenient, but free. The use of the credit card means automatic charge privileges. If a purchase is needed in a hurry Federal Express can deliver it the next day.

With reputable mail order merchants returning merchandise is far easier than being hassled at a department store. The catalog copy is far more informative than the average store clerk, who is basically an order taker. Order by mail you save time, you save gasoline, save parking expense. This is just as true in the business environment as it is for the average consumer.

I would guess that 98 percent of all the direct mail is legitimate and performs a real service to the economy, to American life styles, to mankind. And incidentally, direct mail is very profitable for the post office. Without direct mail, a first class stamp might cost $5.

People like direct mail. For all the grousing people do about junk mail, people basically like it. People are lonely. Nobody likes to come home to an empty mailbox. If the mailbox is empty you get a

lurking sense in the pit of your stomach that something is wrong. Your mail carrier had a heart attack, the postal service has collapsed, the government has run out of money and cannot pay the post office salaries, a bomb went off in the main post office.

Direct mail is your only daily contact with a Federal Government sponsored service. It is the consumer's private check that the system is still working.

How people get on mailing lists. The way to get on a list is to buy something by mail—subscribe to a magazine, order from a catalog, reply to a coupon advertisement, give money to a charity. The names of mail order buyers and donors are rented by companies who want to offer products and services that they believe will be of interest. The more a person orders or donates through the mail, the more lists his or her name will be on. The more mail he will receive.

However, it must be remembered that direct mail costs money—anywhere from 25 cents per piece on up to $1 or more for big catalogs. It is also a very scientific business. So mailers are not going to send these expensive mailings out frivolously. Direct marketing means making offers to people who should be interested in the proposition.

If you want to get off mailing lists, write the Mail Preference Service of the Direct Marketing Association, 6 East 43rd Street, New York, NY 10017.

Senator MOYNIHAN. Could I interject there.

Mr. HATCH. Yes, sir.

Senator MOYNIHAN. Just to say, is that a trade association which will just expunge your name from computer lists all over?

Mr. HATCH. It will send, as I understand it, Senator, a directive out to all list owners that this person does not want his or her name rented and used in commerce and to expunge that name from all mailing lists.

Let me add, Senator, that more people write the Mail Preference Service asking to be put on mailing lists than to get off them.

Senator MOYNIHAN. Thank you.

Mr. HATCH. At its worst direct mail is very, very bad. We are seeing more scams—fake charities, old pyramid schemes from the 1940's and 1950's, potency pills, multilevel marketing schemes, free vacations and prizes, which are not free at all, and more. The object of many of these scam artists, to get the consumer's credit card number. They will then charge the number three or four times, and by the time the dust is settled, they will have abandoned their office and started a new business across town.

Of the 4,000 to 5,000 mailings a month that are sent to me from my network of correspondents around the country, perhaps .5 percent, perhaps 20 to 40 are flat out illegal. These mailings are not recorded in my archive, instead they are forwarded immediately to the postal inspectors for action.

Another group of mailings are highly suspect. Fundraising efforts that promise that money donated will go for cancer research or to further the conservative agenda or whatever. In my experience, many of these efforts do not deliver what they promise. Rather, they are mailings by political action committees, independent expenditure committees, charities, non- profit organizations

who are in effect and in actuality, owned and operated by for-profit fundraising organizations whose objective is to make more mailings to raise money to make more mailings to raise more money to make more mailings.

In the material I am going to submit, if I may, are examples of these.

Unlike a catalog or a merchandise mailer as the postal inspectors mentioned earlier, where the consumer physically takes possession of an item ordered and can judge the quality and service firsthand, fundraisers can take the money and run or use it to make more mailings. Giving money to a PAC or a charity is an act of faith. It is a difficult and complex process for the donor to find out if the money is being well spent.

Unlike the merchandise business, in fundraising there is little accountability. How can consumers know what is going on? What could Congress consider legislating?

Direct mail is a function of the U.S.P.S. Direct mail is totally dependent upon the U.S. Postal Service, a corporation that is made possible by the U.S. Government and overseen by Congress. If the U.S.P.S. delivers scam offers it is aiding and abetting criminal activities and doing it in interstate commerce. By logical extension, the U.S. Government is aiding and abetting criminal activities by making it possible for criminals to send their scam offers interstate to be delivered by the U.S.P.S.

Therefore, it seems to me that there should be some regulations as to what can and cannot be mailed and who can and cannot be partners with the U.S. Government. The following proposals are made not with an eye toward censorship or violation of First Amendment right to free speech, rather here are some suggestions that will level the playing field for mailers and consumers alike.

(1) Name, address, phone number of the mailer on every mailing. One of the most difficult tasks we have is finding the true address of mailers. Scam offers have often only a phone number or a P.O. Box. Many fundraisers use only a unique zip code as a return address so the money goes to a fulfillment house or a caging operation in another town or another State.

If the Federal Government were to adopt a statute whereby the actual street address and perhaps the phone number of the mailer had to appear somewhere in the mailing, not on every piece, I would be in favor of it. By forcing mailers who use the U.S.P.S. to reveal the street address and perhaps the phone number from which business is actually conducted, it would be easier to track down all mailers, legitimate and otherwise.

(2) Annual reports from fundraisers. I believe if Congress attempts to legislate what can and cannot be written and designed in the mail it would be a violation of our First Amendment right to free speech. What I believe Congress could legislate is accountability.

If fundraisers are going to use the U.S. mails to raise money, the donors and perspective donors should have every right to where and how their money is being used. Therefore, I would propose legislation be considered whereby all fundraisers who use the U.S. mails be required to send donors of a certain amount, e.g. $25 a year or more, and annual report.

This annual report does not have to be elaborate—two or four mimeographed pages in small type, audited and notarized by an accountant. This annual report should also be available to any nondonor who requests it. It should contain the following information: (a) sources and amount of revenue; (b) amount and percentage of revenue spent on programs and what exactly are the programs.

Many organizations consider a major part of their program to be "information" or "education" or "independent expenditures." In actuality these education, information, or independent expenditure programs are simply fundraising efforts that give little information but whose main thrust is to ask for money.

It seems to me that under this proposed legislation quite simply any mailing or telephone effort or space advertisement that asks for money must be called a fundraising effort. If there is no request for money, it can be called and educational, informational or independent expenditure.

(c) Amount and percentage of revenue spent on administration; (d) amount and percentage of revenue spent on fundraising; (e) the name and address and phone number of the professional fundraising agency, if any; (f) the amount and percentage of revenue spent with the professional fundraising agency and all of its affiliates, subsidiaries and/or other companies owned by the agency or owned and controlled by family members and relatives of the agency's principals; (g) what other organizations does this agency raise money for; (h) main provisions of the fundraising agency's contract.

Let me explain this. Direct marketing is a very scientific business. Results are measurable in tenths and hundredths of a percent. Successful direct marketers test an offer or a fundraising appeal to a scientifically selected list of names, a sampling of names. If the test if profitable they "roll out" mail to a much larger universe. By basing the roll out mailing on the knowledge gained from the test, the mailer is mailing smart.

Many PAC's and charities use professional fundraising companies. Often the contract of the fundraising agency stipulates a fee for every piece of mail mailed—5 cents, 7 cents, 10 cents. The more pieces that are mailed, the more money the agency makes. Thus, there is no incentive to mail smart, just mail a lot. So they make a lot of mailings to raise money to make mailings to raise more money and so on infinitum. The agency gets rich. Little or no money goes to the promised cause.

Further, the contract with the fundraising agencies often stipulates that the agency owns the mailing list—either the entire mailing list or 50 percent joint ownership arrangement. A mailing list is the major asset, indeed often the only asset of a fundraising organization. When an agency owns the names, it can charge the charity or PAC a list rental fee for its own names. So now the charity is paying a fee to the agency for every piece mail, plus a fee to the agency to rent its own names, plus maybe even a 15-percent override on top of all printing and inserting.

This means a letter that would cost a legitimate charity 25 cents to mail would cost an agency-owned charity 50 cents to mail, with the other 25 cents going to the agency. By giving away its names to the fundraising agencies, the charities and PAC's are in my opin-

ion owned and operated by private, hugely profitable fundraising agencies for the main purpose of making money for the agency.

So the main elements of the contract of the fundraising agency is key to making any kind of judgment about what a fundraiser is really up to.

Now just 1 minute more if I may, Senator, about the business of official looking envelopes and scare tactics in direct mail. Basically, all direct mail appeals, including official looking envelopes. Indeed, all advertising is nothing more than campaign rhetoric. What made this country great was not putting a lid on campaign rhetoric, it was accountability, whether in politics or in the market place.

When looking into the business of direct mail fundraising, I urge you not to spend time and be sidetracked on the exaggeration hype and hyperbole. Instead, ask how much money was raised and where the money went.

In the words of Deep Throat to Woodward and Burnstein in that parking garage, "Follow the money." You'll get to the heart of what's really getting on very quickly.

Thank you very much.

Senator MOYNIHAN. We thank you, sir. This has been very helpful.

Mr. HATCH. Senator, I would like to submit this as part of the record.

Senator MOYNIHAN. You said you had some specifics.

Mr. HATCH. Yes. There is a string of samples in here, including a number of Social Security mailings that you may not have received that I have received. So here is a whole——

Senator MOYNIHAN. We will place those in the record.

[The information appears in the appendix.]

Senator MOYNIHAN. And I want to express very great appreciation for you coming here and coming before the committee with a set of very specific recommendations. You obviously know this field. I can share some of—your last statement makes great sense. We do have a responsibility, however, to see that some of the official symbols of our government are not misused, just on principal—hyperbole and rhetoric—well that is our world too as you no doubt know.

But follow the money, yes. Very good. And very great thanks.

Senator DASCHLE. Mr. Chairman, I would share your comments. I like your recommendation, Mr. Hatch. I think an annual report giving that information would go a long way and would perhaps preclude some groups from getting involved at all.

So among the other ideas that have been expressed to us, I certainly would like to pursue this one as well.

I would be interested in your comment about the line between sending something which is clearly untruthful and sending something which proves intent to defraud which I guess is the legal term. Do you think that the line that exists today separating the two is adequate?

Mr. HATCH. I was talking to my wife at breakfast and she said whatever you—direct marketers are very smart people, and whatever finger you stick in the dike there is going to be a leak somewhere else and you have to start the whole process all over again.

It scares me that all this time and effort that you gentlemen—I commend you for it. But it is going to be struck down in the Supreme Court as a first amendment violation.

Incidentally, one other thing I would like to say is, when I ran these ideas by someone—the idea of an annual report that had to be sent to donors of $25 or more—that could bust some charities. This thing would cost 25 cents to mail, maybe. And that would really dig into the amount of money they had taken in and it would be less money to spend on whatever they were going to spend it for.

My answer to that is, if someone donates $25 the polite thing to do is to say thank you. And with the thank you letter would be a copy of this report saying, may I—here is what we are doing, please send some more money. And if the report is good and honest, they will get more money and more than pay for the mailing; and if the report is no good or the guys are shysters they have a problem and they should.

Senator DASCHLE. A good recommendation. Thank you.

Senator MOYNIHAN. Very thoughtful, very specific. It is a new world to me, I must confess. But learned a lot. We thank you very much. I would like to report for those who do not know, "shyster" refers to a New York City lawyer, in the era of 1830–1840, who was not overly scrupulous in his dealings.

Senator DASCHLE. There was a Shyster.

Senator MOYNIHAN. Mr. Scheuster.

Thank you very much, Mr. Hatch.

And now we come to the first of two witnesses we will have today representing one of these activities, Mrs. Martha A. McSteen, who is president of the National Committee to Preserve Social Security and Medicare. Mrs. McSteen is well known to this committee, having formerly been Acting Commissioner of the Social Security Administration.

We welcome you again in this new capacity. We put your statement in the record as if read and you proceed exactly as you chose to do.

[The prepared statement of Ms. McSteen appears in the appendix.]

STATEMENT OF MARTHA A. McSTEEN, PRESIDENT, NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE, WASHINGTON, DC, ACCOMPANIED BY JEFFREY GALGINAITIS, TREASURER, AND BRUCE SUMNER, VICE PRESIDENT

Ms. MCSTEEN. Mr. Chairman, my name is Martha McSteen and I am president of the 5 million member National Committee to Preserve Social Security and Medicare. Thank you, Mr. Chairman, for the opportunity to present facts about our educational mailings to our senior citizens regarding the Social Security system.

I also thank you on behalf of our membership for your leadership and commitment to the Social Security issues vital to our senior citizens.

As our name indicates, the preservation of a strong Social Security system is the very reason for the existence of our grassroots membership organization. Our organization was founded in 1982 by

the son of President Franklin Roosevelt, the architect of Social Security. Former Congressman James Roosevelt established the committee to preserve his father's most significant legacy to the American people.

As you may know, Mr. Chairman, I have devoted 39 years working with the Social Security and the Medicare system in both Republican and Democratic administrations. During that time, I was one of the first regional Medicare administrators and was the Acting Commissioner of Social Security for 3 years.

This past April I was honored to assume the role of the President of the National Committee to Preserve Social Security and Medicare. Mr. Chairman, I am aware of past criticism of our organization and indeed there may have been misunderstandings concerning some of our communications. Growing an organization from a concept to a 5 million strong membership is difficult and there will be mistakes.

However, since I have taken over I believe our programs have and will continue to safeguard against even perceived misrepresentations.

The National Committee has been in the forefront of efforts to protect the integrity of the Social Security and Medicare systems. My new position enables me to translate my experience in government to this grassroots organization and action on behalf of older Americans. We understand that both the House and Senate Governmental Affairs Committees are working on deceptive mailings prevention legislation. The National Committee has applauded these past legislative efforts. The National Committee has conscientiously complied with requirements incorporated in past legislation.

Now the charge has been made, Mr. Chairman, that some of our educational mailings to the membership have been misleading and that they may undercut the confidence that Americans have in the Social Security system.

Mr. Chairman, it is not our educational materials that erode confidence in the Social Security system. The elimination of student benefits, the taxing of Social Security benefits and now the use of trust funds to hide the government's budget deficits—these are the things that erode the confidence in the system.

It is this continual tinkering with the system that has concerned the American people and made the recent battle over catastrophic health so important. It was an Act that did not address senior's major concerns. It duplicated some of the services that seniors already had. Its financial structure violated the basic social insurance concept set down by Congress 50 years ago.

We do not ask Veterans to pay the entire cost for VA hospitals. We do not ask parents to pay the entire cost of our public school system. We do not ask farmers to bear the full burden of farm price supports. Nor should we. Yet this piece of legislation was financed by saddling only seniors with extra taxes.

From the beginning of consideration of this issue our membership was concerned about the content of the legislation. Long before the Congress voted in 1988 for catastrophic coverage, and long before Senate mailrooms were flooded with cards and letters,

our committee was opposing the bill and informing Congress that our membership could not support it.

The legislation simply did not address their real concerns. During the 100th Congress, the National Committee repeatedly sent letters to members of Congress outlining the problems we had with the legislation. We did urge support for the excellent bill crafted by the champion of the elderly, the late Representative Claude Pepper. Unfortunately, Senator Pepper's legislation did not prevail.

When the original bill was finally enacted, we continued to represent the views of our members. We used the most cost effective method available to alert our 5 million members. We used the mail. Nearly half of our membership responded. They wrote, they called or visited their Representatives and Senators to register their concerns. In the oldest American tradition, they petitioned their Representatives.

Were the seniors and thousands who joined them wrong? Not in our opinion, nor in the opinion of the 360 Representatives who voted to repeal this law. And then the Senate, after consulting with their constituents, Senator John McCain and others have fashioned a compromise we support.

Now, Mr. Chairman, the charge has been made that we used fear tactics to encourage seniors to write their members of Congress about the original legislation. This is absolutely false. Were seniors legitimately concerned about the provisions and the financing of this law? Yes. Were they fearful of a financial structure that put the burden of paying for duplicative benefits on the backs of the elderly? The answer is, yes. Did our committee give the facts to our membership? Yes. And did they respond by writing letters to you and many on this committee and other members of Congress? Yes.

The National Committee has been unjustly criticized for helping to educate its members through the use of direct mail. In accusing the National Committee of misleading seniors in the debate over catastrophic cover certain critics have pointed to past headlines in some of our mailings. The fact is, these headlines emphasized legitimate concerns of our members. One may disagree with a particular headline, but that is a matter of opinion and not of deception.

From the beginning we made every effort to let our members know what the benefit implications were and that the tax was placed on seniors only. We ran a chart in our membership newspaper which related the surtax impact to various income levels. We encouraged our members to write, if they felt concerned about the law.

Mr. Chairman, I know you have always been a staunch supporter of Social Security and that your legislative proposals address many of the concerns of the membership. Thank you for your support.

On behalf of the National Committee's membership, it is my hope that we can continue to work with you and your colleagues to improve and strengthen the Social Security and Medicare programs for millions of Americans.

Thank you, Mr. Chairman.

Senator MOYNIHAN. We thank you, Mrs. McSteen. I think we are going to want to ask a series of questions. I think it might be useful

if we just alternated. I'll speak for five minutes or so and then you do so. We have plenty of time. We are not in any hurry.

Thank you for very forthright and helpful inquiries. I am going to take the advice of our previous witness Mr. Hatch and follow the money, as he put it, because that is what we are trying to sort out here, not with respect to any one organization, but just this general pattern.

Mrs. McSteen, you state that, "Our organization was founded in 1982 by the son of President Franklin D. Roosevelt, the architect of Social Security." Entirely on an irrelevant note, I have always thought that Francis Perkins was the architect of Social Security, but that is a matter for the historians.

Anyway, now is the committee wrong in our understanding that there was at that time a California based direct mail firm known as Butcher-Forde Consulting, and they incorporated the National Committee to Preserve Social Security in 1982. Now is that right?

Ms. MCSTEEN. The organization was created in 1982 and as I had indicated, James Roosevelt wanted to establish an organization in honor of his father and to preserve his father's legacy.

Senator MOYNIHAN. Now this is where we—we want to get very clear. I want to get very clear. You say that this organization was founded by the son of President Roosevelt. Our information is that it was founded by a direct mail firm that hired Mr. Roosevelt as a consultant.

Ms. MCSTEEN. Well I will be glad to tell you.

Senator MOYNIHAN. Help me. Just help us. We do not assert this. I just wanted that——

Ms. MCSTEEN. All right. James Roosevelt wanted to establish and create this organization. It would be a tremendous financial undertaking and he sought up front financing to create the organization for that purpose. And as a result of that there was an agreement, a contract, between the parties to continue to evolve the organization for the purpose that it was intended, and that was to preserve the Social Security system.

Senator MOYNIHAN. Let's try again. Who came up with the idea, the direct mail business or Mr. Roosevelt? Who went to whom?

Ms. MCSTEEN. I was not, of course, around at that time.

Senator MOYNIHAN. Sure. Sure.

Ms. MCSTEEN. It is my clear understanding from Mr. Roosevelt that he had the concept and the idea and he approached the organization because they had agreed to put the money up front. And I have no other information.

Senator MOYNIHAN. Now I have to press your syntax. "He approached because they had agreed to put the money up front." What you said is, he approached them because they had agreed to put the money up front. That suggests to me something happened before he approached them.

Ms. MCSTEEN. I am sorry if you misinterpreted or I misinterpreted. James Roosevelt, I am told and I believe, wanted to create this organization because there was a need for the preservation of Social Security. He did not have the finances sufficient to create a large organization and he wanted it to grow and last for years to come. He sought out investment bankers or investment persons who would put the money up front.

Senator MOYNIHAN. Investment bankers? That suggests a for-profit enterprise. Now an investment banker is clearly in the private sector to make money. It is a for-profit enterprise.

Ms. MCSTEEN. Well, my choice of words may not be legally——

Senator MOYNIHAN. But you did say investment bankers?

Ms. MCSTEEN. He sought financial support.

Senator MOYNIHAN. No, ma'am. You said he sought out investment bankers.

Ms. MCSTEEN. Well, he sought out people who could put the financing up front and whatever you might call them.

Senator MOYNIHAN. Okay. Well let me—I want to turn it over to my colleague now. But first, would Mr. Roosevelt be willing to come and tell us in his own words what happened because it just seems so—it is so confusing to this Chairman.

Ms. MCSTEEN. It seems to me that the important thing is that the organization was created for a purpose and the organization has grown and has survived. And I think——

Senator MOYNIHAN. But what was the purpose?

Ms. MCSTEEN. The purpose was to preserve the Social Security system.

Senator MOYNIHAN. Was that the purpose or was the purpose to make money on the part of the mail business? Did Butcher-Forde have an idea for making money by sending out mailings?

Ms. MCSTEEN. I have no idea what Butcher-Forde's intentions were. I know that James Roosevelt's intentions were to create an organization that——

Senator MOYNIHAN. But he was a consultant to Butcher-Forde. He was just an employee.

Ms. MCSTEEN. No, he is not an employee, was not an employee of Butcher-Forde.

Senator MOYNIHAN. But was he not a consultant? I don't mean to——

Ms. MCSTEEN. He served as a consultant to a number of——

Senator MOYNIHAN. And was paid.

Ms. MCSTEEN [continuing]. Organizations.

Senator MOYNIHAN. But he was paid $60,000 a year.

Ms. MCSTEEN. I do not know that.

Senator MOYNIHAN. After receiving consulting fees, he began drawing a salary of $60,000 a year.

Ms. MCSTEEN. From this——

Senator MOYNIHAN. You don't know that?

Ms. MCSTEEN. From the organization Mr. Roosevelt draws a yearly stipend, salary, whatever you might want to call it for his services as chairman of the organization, its board and for advising——

Senator MOYNIHAN. Salary will do.

Ms. MCSTEEN [continuing]. Policy, setting policy. And I think that's——

Senator MOYNIHAN. But he originally was a consultant? Do you know what he was paid as a consultant?

Ms. MCSTEEN. No, I do not.

Senator MOYNIHAN. Okay.

Senator Daschle.

Senator DASCHLE. Mr. Chairman, your line of questioning is very helpful. I think if you want to continue to pursue it I am willing to wait.

Senator MOYNIHAN. All right. I just will pursue it a little bit further because I do not think we have the answers and I just simply would like to say that we need to know from you, ma'am, and we will find out—this committee will find out—which came first, the direct mail firm with an idea for making a profit in a private enterprise or the desire to establish a committee which in turn sought out the devices of the facilities, the resources of the mail business.

You can let us know that as explicitly as you wish or we will find it out in other ways. We need to know who was paid what. Can you give us some ideas, do we have available the early accounts, financial statements of the operation?

Ms. MCSTEEN. They are available, yes.

Senator MOYNIHAN. Have you brought them with you?

Ms. MCSTEEN. No.

Senator MOYNIHAN. I didn't think so. But you could provide them to the committee?

Ms. MCSTEEN. Yes.

Senator MOYNIHAN. Okay.

Ms. MCSTEEN. If there are no legal complications or restraints that I don't know about.

Senator MOYNIHAN. Sure. That is fair enough, absolutely.

But now, a Mr. Miles Rubin in 1988, which is not that far ago, bought the Butcher-Forde Co. and changed the name to the National Direct Marketing Corporation. Is that right?

Ms. MCSTEEN. Yes, that is right.

Senator MOYNIHAN. And they do your mailings?

Ms. MCSTEEN. They are the vendor that supplies us with the information that is important in communicating by mail. That is, they have the expertise of knowing how to package communications, how the layout should appear. They have advice regarding communications.

Senator MOYNIHAN. And they are—I guess I should correct myself. It was Butcher-Forde Consulting, a partnership in Newport Beach, CA. And the new group is still in Newport Beach, CA; is that right?

Ms. MCSTEEN. Mr. Rubin is a resident of Washington and New York.

Senator MOYNIHAN. I asked where the firm is located.

Ms. MCSTEEN. Well the direct mail firm itself is in Newport Beach.

Senator MOYNIHAN. Just as it has always been?

Ms. MCSTEEN. Yes, you are right.

Senator MOYNIHAN. Do we have any notions of how much money of the revenues you receive, you say you have 5 million members.

Ms. MCSTEEN. Right.

Senator MOYNIHAN. And so you get a certain amount of revenue. Would you have an estimate of what revenue was last year?

Ms. MCSTEEN. Yes. For our last fiscal year, the revenues were $38.2 million.

Senator MOYNIHAN. And how much was spent on direct mail?

Ms. MCSTEEN. About $5.4 million was paid to the National Direct Marketing firm. Printing and other costs of publicat.on were $14.8 million. I have that information.

Senator MOYNIHAN. Why don't you give it to us? You got $38 million last year.

Ms. MCSTEEN. Yes.

Senator MOYNIHAN. Tell us how you spent it.

Ms. MCSTEEN. All right. $14.8 million was printing and other costs of publication.

Senator MOYNIHAN. So that is mail?

Ms. MCSTEEN. Yes, involved with the publications——

Senator DASCHLE. Who is the printer? Do you have one printer?

Ms. MCSTEEN. There is a contract with Donnelly Printing Co. for our newspaper——

Senator DASCHLE. Donnelly Printing.

Ms. MCSTEEN [continuing]. Printing. If there are other contracts for that publication, I do not know specifically.

Senator DASCHLE. Where are they located?

Ms. MCSTEEN. Donnelly, I believe in Chicago.

Senator DASCHLE. Okay.

Ms. MCSTEEN. Postage, $5.8 million; administrative costs associated with mailings, $3.4 million; the Washington operations and additions to reserve, $8.8 million. That adds up to $38.2 million, I believe.

Senator MOYNIHAN. Of your $39.5 million in the last go round, you have $8.8 was the Washington operation and the rest was administrative costs of raising the money; was it not?

Ms. MCSTEEN. Administrative cost in——

Senator MOYNIHAN. I mean administrative costs and the mailing costs.

Ms. MCSTEEN. Well, direct mail is a very expensive way of communicating, but it is a—and it has a lot of advantages because it can go directly to individuals. Direct mail is a method of operating that the organization is not beholden to any one large contributor and therefore we feel that we can represent our membership.

Senator MOYNIHAN. Can I ask one last question before we turn to Senator Daschle. You said that of your income last year $8.8 million was Washington operations and additions to reserves.

Ms. MCSTEEN. Yes.

Senator MOYNIHAN. Could I ask what the additions to reserves can to?

Ms. MCSTEEN. Let me ask our treasurer that. I think it——

Senator MOYNIHAN. Sure. Is your treasurer here?

Ms. MCSTEEN. Yes.

Senator MOYNIHAN. Do you want to come forward, sir.

Ms. MCSTEEN. This is Jeff Galginaitis.

Senator MOYNIHAN. We welcome you to the committee, sir.

Mr. GALGINAITIS. Thank you, sir.

Senator MOYNIHAN. The question is of the—Ms. McSteen spoke of $8.8 million as Washington operations and additions to reserves. Could I ask you what the additions to reserves came to?

Mr. GALGINAITIS. It was about $2.7 million, sir.

Senator MOYNIHAN. And the rest was for the Washington operations?

Mr. GALGINAITIS. Right.

Senator MOYNIHAN. All right. Fine.

Thank you so much for the moment.

Senator Daschle.

Senator DASCHLE. Thank you, Mr. Chairman.

Just to clarify again. The $14.8 million in printing costs all went to a firm in Chicago; is that correct?

Mr. GALGINAITIS. Well there are a number of different printers, sir, that we use for newspapers and our different communications with members.

I do not know the exact number. But it is somewhere between a half a dozen and a dozen different printers.

Senator DASCHLE. Are any of the printers associated with the Butcher-Forde group?

Mr. GALGINAITIS. No, they are not.

Senator DASCHLE. None? They are not?

Mr. GALGINAITIS. That is correct.

Senator DASCHLE. It has been reported to this committee and I would be interested if you could verify it, that about $1 million was spent on a mailing that did not go out last year. First of all, is that accurate?

Mr. GALGINAITIS. The number is approximately accurate, sir. I believe it was a couple of years ago that that happened, rather than last year.

Senator DASCHLE. You spent $1 million to print a mailing that never went out. What were the circumstances there?

Ms. MCSTEEN. Mr. Daschle, as you know, we attempt to keep track of the proposed legislation and legislation that our members are interested in. The preparation of those communications takes quite a bit of time to allow the process to work and for the printing to take place. In the period of time from what we perceived was going to be the process, there was a change and policy decision was made that it would not be correct to send that mailing out. And so——

Senator DASCHLE. What was the mailing, do you recall?

Ms. MCSTEEN. No, I do not. I was not involved in it directly.

Senator DASCHLE. You recall the circumstances for the mailing being withheld, but you don't recall the subject matter of the mailing?

Ms. MCSTEEN. Because I was asked that question recently and I asked about it. When the policy——

Senator DASCHLE. Perhaps some of your staff may know. Maybe they can share it with you.

Ms. MCSTEEN. Well we will be glad to submit that for the record.

Senator DASCHLE. Do you have any staff here?

Ms. MCSTEEN. Yes.

Senator DASCHLE. Would you mind asking them if they know?

Ms. MCSTEEN. Well I would prefer submitting it for the record if you don't mind, rather than trying to——

Senator DASCHLE. Well, we had a question relating to your finances and you called the treasurer.

Ms. MCSTEEN. All right.

Senator DASCHLE. I would like to pursue this if I could and it would be very helpful if I knew the subject matter for the mailing that was withdrawn.

Ms. MCSTEEN. Let me ask Bruce Sumner to comment on that.

Senator MOYNIHAN. Mr. Bruce Sumner, would you come forward, sir, and take your seat and welcome to the committee. Perhaps if you would identify your post.

Mr. SUMNER. Yes. Senator Moynihan, Senator Daschle, my name is Bruce W. Sumner. I am the vice chairman of the board of directors of the National Committee to Preserve Social Security and Medicare.

Senator MOYNIHAN. We welcome you, sir.

Mr. SUMNER. Thank you.

I was not a member of the board or connected with the organization when the event occurred. And subject to correction from going back to the records, it is my understanding that the mailing in question pertained to a policy decision on the part of the National Committee to go into solicitation on behalf of a certain form or a certain insurance procedure. It was a board policy on the part of the National Committee not to do this. This was, as I say, before I was on the board.

We are proud of the fact——

Senator DASCHLE. Could I just ask you though——

Mr. SUMNER. Yes, sir.

Senator DASCHLE. I am trying to understand this situation. Somebody committed $1 million to have a solicitation prepared, which as I understand it, you are now informing the committee had to do with insurance. The $1 million that was committed was spent and then a decision was made by the board to stop the mailing from being sent out; is that correct?

Mr. SUMNER. That is correct.

And can I explain the reason?

Senator DASCHLE. Please do.

Mr. SUMNER. The National Committee has a single purpose and that is advocacy on issues. We have felt that unlike some other organizations we are not going to be involved in insurance, prescription drugs, travel or anything else. Our sole purpose, our sole direction, is on issues. The board decision was made that, contrary to what had originally been contemplated, the National Committee would not go into the insurance area. The mailing was stopped.

By that, I mean it was not sent out. So the decision was a policy one. Now you can fault us for having made that decision, but that was the decision that was made, as far as I know. The obligation to the printers et cetera that was made as a result of the prior policy was changed. You might equate it to the Ford Motor Co. deciding they will not build the Edsell anymore.

Senator DASCHLE. Was the cost of $1 million a——

Mr. SUMNER. Senator, I do not know the cost. I did not——

Senator DASCHLE. Well maybe we can submit that for the record. But who got the money? Would you be able to tell us that? Where did the money actually go?

Mr. SUMNER. It went to the obligation that had been incurred.

Senator DASCHLE. To whom?

Mr. SUMNER. As I understand it, it was for the printing and the preliminary efforts in this mailing which was stopped.

Senator DASCHLE. Thank you for that clarification and you will submit the information for the record; is that correct?

Mr. SUMNER. Yes, sir.

[The information appears in the appendix.]

Senator DASCHLE. Let me ask and I defer to the Chairman, if I could be permitted one other line of questioning.

Senator MOYNIHAN. By all means, Senator, that is what we are here for.

Senator DASCHLE. In your statement before the committee you said that you reassert that the committee gave the facts, as you call them, to the membership. I appreciate your confidence in that regard. The question I have is whether you gave all the facts. That is the question. I have one of the mailings here. In 1989, income tax for millions of seniors will increase $1,600, $800 for singles. It is a tax on seniors only and it must be stopped.

Ms. McSteen, I am sure you are aware that that tax was only applicable to about 40 percent of seniors. And of that 40 percent, 20 percent—50 percent of the 40 percent—would pay less than $200 a year. Is that your understanding of the facts?

Ms. MCSTEEN. My understanding is that we represented our membership regardless of——

Senator DASCHLE. No, no. That is not what I am asking.

Ms. MCSTEEN [continuing]. The percentages.

Senator DASCHLE. No, let me just ask you—if you could just say yes or no.

Is it a fact, as you understand the catastrophic bill as it was repealed, that 80 percent of the people paid less than $200 a year? You are the president, you would certainly know that, given the effort you put into the catastrophic program. Is that your understanding of the facts?

Ms. MCSTEEN. It was my understanding that about—I do not know the exact dollar number, but around 47 percent of seniors would pay a surtax of some amount.

Senator DASCHLE. 47 percent?

Ms. MCSTEEN. Yes.

Mr. SUMNER. If I may interject. In our analysis we hear the number 40 percent, but that is taken from the census figures. The reason we say 47 percent of all seniors would be subject to this tax is that we got our information from the IRS and it has always surprised me that this number, which is almost 20 percent higher, has not been used. In some States, for example, in California it is 48 percent; in Connecticut it is 53 percent and it varies from State to State. But the number is much higher.

Senator DASCHLE. What percent would pay the $1,600? You have these figures obviously very——

Mr. SUMNER. I would be happy to submit those.

Senator DASCHLE. No, you know the other figures; you have to know this one.

Mr. SUMNER. I do not know that particular one. But I know it——

Senator DASCHLE. You just happen to not know that one?

Mr. SUMNER. I know it is at least 200,000 persons, sir.

Senator DASCHLE. Ms. McSteen, you know that it is 47 percent paid some surtax and you have a lot of these figures right at your fingertips, what is the percent of people that pay $1,600?

Ms. MCSTEEN. I don't have that figure.

Senator DASCHLE. You don't have that figure?

Ms. MCSTEEN. No, I do not.

And the name is McSteen.

Senator DASCHLE. Well I must tell you that I am surprised that you would stand by your statement in the testimony that you have presented the facts to your membership. Could you point out to me where in this mailing the facts, regarding the 47 percent of the seniors who must pay, are?

I would interpret the headline in your mailing to mean that everybody is going to be paying $1,600.

Where are the facts in this letter?

Ms. MCSTEEN. As you know, in any one piece of communication it is impossible to present all the facts about a given issue. It is true that seniors would pay up to $1,600. But I must tell you that the membership was concerned about the principle involved in the financing. It is not just the people who are rich or the middle income people who were concerned.

In our August survey, the greater part of the membership, regardless of income, disapproved of the catastrophic funding mechanism.

Senator DASCHLE. If you would allow me, they disapproved because they received information like this. Sixty-five percent of the people, according to the polls in the Washington Post, had no idea what the catastrophic program included. Perhaps you saw that latest poll, as I did. They had no idea.

Ms. MCSTEEN. Well I think——

Senator DASCHLE. Let me just go back to a comment you made, and I am trying not to be confrontational here. But on four pages, front and back, you tell me that there is not enough room here to lay out all the facts. That is what you are telling me?

Ms. MCSTEEN. Yes, that is right.

Senator DASCHLE. Let me ask you, you said this is educational. Is that right?

Ms. MCSTEEN. Yes.

Senator MOYNIHAN. You could print the Constitution on one of those pages—two of them.

Senator DASCHLE. If it is for education, why would you be encouraging people to send in quickly so they can get a free calculator?

Ms. MCSTEEN. Part of the direct mail concept is to make certain that your members know what issues are before them, before the Congress, issues that affect them.

Senator DASCHLE. What does a free calculator have to do with knowing whether they have the issues before them?

Ms. MCSTEEN. Whether they have received mail or not that describes our—certainly the catastrophic legislation itself was misleading in its name because catastrophic to most people means long-term care. And long-term care was not included in the Catastrophic Act. The Catastrophic Act was publicized as being paid with a supplemental premium. It was not a premium. It was an income tax addition.

Senator DASCHLE. Would you concede that these mailings are a very good membership building device, perhaps the only membership building device you have?

Ms. MCSTEEN. Why yes. The organization is funded and operates entirely on the basis of its membership—$10 a year per household plus contributions on issues that individuals may be interested in. Only about half of the members contribute to one or more of those issue letters that go out. Very few percent contribute more than once a year. But we do have 5 million members.

Senator DASCHLE. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you.

Mr. SUMNER. And if I might add, Senator.

Senator MOYNIHAN. Yes, of course.

Mr. SUMNER. We have a 42-percent retention rate. In other words, the people who were members last year chose to join and we feel it is because of the information that we give through our eight annual newspapers that we send out, as well as the mailings.

Senator MOYNIHAN. May I say, Mr. Sumner, that retention rate is a direct mail term, but there you are.

I have my own documents. As anybody who was there would tell you, in the Iowa primary, the "notch" issue was known as the question that came from hell and it involved running into people who were born between 1917 and 1921. This mailing says, "Notice to Social Security recipients born between 1917 and 1921. You may be losing benefits averaging $816 a year." And there was a very large response, and we have had hearings, as you know, on the notch issue.

Guess what? There was such a big response from those born in 1917 to 1921 that the next urgent message reads, "Notice to Social Security Claimants. If you were born between 1917 and 1928 . . ." And the capacity for expanding that class is considerable.

Ms. MCSTEEN. Mr. Chairman, may I say that the notch issue, yes, has been an issue that our membership has been very concerned about. I think that is further substantiated by the fact that in this current Congress there are some 150 members who have either sponsored or co-sponsored notch legislation.

Senator MOYNIHAN. That is right.

Mr. SUMNER. And if I may add, sir, that the legislature of the State of New York, along with 12 other State legislatures, has passed a resolution calling on consideration of the notch question. I pointed this out at the hearing which I was privileged to appear before you, sir, when Senators Chafee and Riegle also pointed out the problem.

Senator MOYNIHAN. We know that.

I am going to close now because we have taken much of your time. I would say two things. The first is to Mr. Galginaitis.

Ms. MCSTEEN. Galginaitis.

Senator MOYNIHAN. Galginaitis. I am sorry.

We just have a discrepancy in your statement which is no doubt the consequence of my not knowing how to ask the right question. But we have your Price Waterhouse audit and it shows an income for 1988 of $38,213,000 and it shows Washington operations costs at $2,192,000. That leaves us to find out where did the $36,000,000 go.

I shall appreciate your letting us know.

Mr. GALGINAITIS. Well the $2 million that you are referring to, Senator, has to do with—I'll call it the administrative costs of the Washington, DC operations. That is the non-salary costs. Our main expenditure in Washington, DC is the salary of the personnel that we hire.

Senator MOYNIHAN. I see. You will explain all of that to us, won't you, in writing? I would appreciate it.

Mr. GALGINAITIS. Could you—I am not quite sure what you are asking me.

Senator MOYNIHAN. You can figure out what I am asking. I want to know how much money you spend on fund raising, and how much money you spend on lobbying.

[The information appears in the appendix.]

Senator MOYNIHAN. But the other thing I want to ask, and I must ask that to you, Mrs. McSteen, because we may have to resume this hearing. We just need to know—and no fault obtains here—but we need to know, was this organization begun as a profit-making enterprise by a direct mail business in Newport Beach, CA, that engaged Mr. Roosevelt to add to the effectiveness of the campaign? Or, as you put it, did Mr. Roosevelt, thinking to establish an organization, go to this mass mailing business?

Don't answer me now. We have gone over it enough. See if you cannot put it in writing in a way that satisfies you and send it into the committee.

Is that acceptable?

Senator DASCHLE. That is.

Senator MOYNIHAN. Thank you, Senator. Thank you, Mr.——-

Ms. MCSTEEN. Mr. Moynihan.

Senator MOYNIHAN. Yes, of course.

Ms. MCSTEEN. I must say that I do not know how anyone could doubt the intent of the National Committee to Preserve Social Security and Medicare after the catastrophic issue, for example. This is a grassroots membership organization. The Congress passed a well-intentioned piece of legislation. The legislation did not mesh with the needs of the people in this country. The members of the National Committee wrote and called and expressed their concerns.

The Congress revisited the issue and the Congress should be given all the credit for doing that. Because what we have just witnessed is democracy at its very best. When the people question and speak and consult their representatives and the representatives respond in a very responsible way.

Senator MOYNIHAN. Well it is not every day that people come before this committee and congratulate us in that manner. We appreciate your remarks very much indeed. They are rare and the more welcome on that account.

And now finally this morning we are going to hear from Mr. Ralph Galliano who is chairman of the Congressional Majority Committee in Arlington, VA.

Mr. Galliano?

[No response.]

Senator MOYNIHAN. I see. Mr. Galliano did not appear and for reasons that we do not know. Well, let it be stated that Mr. Galliano, for whatever reason, the National Chairman of the Congressional Majority Committee, did not appear.

There being no other business on the committee's docket, I would like to include in the record characteristic letters which we have received. I would like to have them as examples.

[The letters appear in the appendix.]

Senator MOYNIHAN. We will now close these hearings, thanking our witnesses, thanking the audience and our long-suffering recorder and all concerned.

[Whereupon, the hearing was adjourned at 12:28 p.m.]

APPENDIX

Additional Material Submitted

Prepared Statement of Denison Hatch

Let me say first off that I believe direct mail is not only a major force in this country, but a force for good. Let me put direct mail perspective.

Direct mail is the largest single advertising medium. More money is spent on direct mail (Approximately $21 billion) than on newspapers . . . or magazine space . . . or radio . . . or cable television . . . or network television. (More advertising dollars are spent on network and cable television combined, but not if the two media are split.) Last year some 62 billion pieces of third class mail found its way into American homes and businesses—more than double the 26.3 billion pieces 10 years earlier.

Direct mail will bet even bigger. There are three reasons why direct mail advertising is on the ascendancy and television advertising on the decline. First of all, twenty years ago a television advertiser had four choices: ABC, CBS, NBC or a buy of independent stations. Today cable has dramatically disbursed the audience. Network television is no longer the power it was. Secondly, the "zapper" or mute button on remote controls enable the viewer to silence commercials or flip around the dials when the commercial comes on. Finally, the advent of the VCR enables viewers to tape programs and screen them at his convenience; this enables him to skip the commercials by running them on fast forward. Unlike television—which is a shotgun medium—direct mailers go out with a rifle. They can mail to Hispanic families who have 3.7 children, incomes of $50,000 or more and drive Lexus cars . . . or any of dozens of demographic, psychographic, geographic or financial parameters.

At its best, direct mail is very, very food. People complain about the glut of catalogs. Yet the catalog enables any person—rural or urban—to have a complete shopping mall on the bookshelf. Clothes, jewelry, electronics, furniture, shoes, books, records, gifts, fine art, kitchenware, gourmet food, garden items, camping equipment—the entire range of goods and services are as close to the person at home as the nearest telephone. The use of an 800 number makes ordering not only convenient, but FREE. The use of a credit card means automatic charge privileges. If a purchase is needed in a hurry, Federal Express can deliver it the next day. With reputable mail order merchants, returning merchandise is far easier than being hassled at a department store. The catalog copy is far more informative than the average store clerk (who is basically an order taker). Order by mail, and you save time, save gasoline, save parking expense. This is just as true in the business environment as it is for the average consumer. I would guess that 95% of all the direct mail I see is legitimate and performs a real service—to the economy, to American lifestyles and to mankind.

People LIKE direct mail. For all the grousing people do about "junk mail," people basically like it. People are lonely. Nobody likes to come home to an empty mailbox. If the mailbox is empty, you get a lurking sense in the pit of your stomach that something is wrong: Your mail carrier had a heart attack . . . The Postal Service has collapsed . . . The government has run out of money and can't pay the post office salaries . . . A bomb went off in the main post office. Direct mail is your only daily contact with the a Federal government sponsored service; it is the consumer's private check that the system is still working.

How people bet on mailing lists. The way to get on a list is to buy something by mail: subscribe to a magazine, order from a catalog, reply to a coupon advertisement in a magazine, give money to a charity. The names of mail order buyers and donors are rented by companies who want to offer products or services that they believe

will be of interest. The more a person orders or donates through the mail, the more lists his or her name will be on; the more that name will be rented.

However, it must be remembered that direct mail costs money—anywhere from 25 cents per piece on up to a dollar or more for big catalogs. It is also a very scientific business. So mailers are not going to send these expensive mailings out frivolously. For example, if *Architectural Digest* magazine sent a subscription offer to the subscribers of *Motorcycle World,* they might get one order: from Malcolm Forbes who has big houses and rides motorcycles. Otherwise the mailing would be a dismal failure. Direct marketing means making offers to people who should be interested in the proposition.

At its worst, direct mail is very, very bad. We are seeing more and more scams: fake charities. old pyramid schemes from the '40s and '50s . . . multi-level-marketing (MLM) schemes . . . free vacations and prizes (which are not free at all) . . . and more. The object of many of these scam artists: to get the consumer's credit card number; they will then charge the number 3 or 4 times . . . and by the time the dust has settled, they have abandoned their office and started a new business across town.

Of the 4,000 to 5,000 mailings a month that are sent to me from my network of correspondents around the country, perhaps .5%—perhaps 20 to 50—are flat-out illegal. These range from pyramid schemes, vitamin mailings, lottery efforts, bogus announcements that the prospect has won a Florida Vacation or a fishing boat with an outboard motor, etc. These mailings are not recorded in my Archive; instead, they are forwarded immediately to the postal inspectors for action.

Another group of mailings are highly suspect, fund raising efforts that promise that money donated will go for cancer research or to further the conservative agenda or whatever. In my experience, many of these efforts do not deliver what they promise. Rather they are mailings by Political Action Committees (PACs), Independent Expenditure Committees, Charities, Committees, non-profit organizations who are, in effect—and in actuality—owned and operated by for-profit fund-raising organizations whose objective is to make more mailings to raise money to make more mailings to raise more money to make more mailings.

Unlike a catalog or merchandise mailer—where the consumer physically takes possession of the item ordered and can judge the quality and service first hand—fund-raisers can get away with murder. They can take the money and run. Or use it to make more mailings. Giving money to a PAC or a charity is an act of faith. It is a difficult and complex process for the donor to find out if the money is being well spent. Unlike the merchandise business, in fund-raising, there is little accountability. How can consumers know what's going on?

Before getting to specific ideas for legislation, let me address some of Senator Moynihan's concerns about direct mail.

ABOUT SCARE COPY AND DESIGN

Direct mail is a medium, just like broadcast or newspapers or magazines or newsletters. Legislation dictating what can and cannot be said in a mailing I believe begins to smack of censorship and infringe on our First Amendment right of free speech. Senator Moynihan stated in his October 12th speech to the Senate—and Ed Lopez and Ted Liazos of his office stated to me on the phone—that there is real concern about scare mailings getting into the hands of very old people.

I personally don't like scare mailings. I personally don't like animal rights fund raising efforts that show dogs and cats and rabbits with their sides torn off in full color. Much as I don't like these mailings, I like the idea less of their being legislated out of existence.

Putting direct mail into the context of American life, it's tame stuff. Even the most outrageous, scary, goosebump-causing mailing package pales to insignificance next to what is routinely seen on television screen. If I recall a statistic from McLuhan or someone, by the time the average American child has reached high school age, he or she will have witnessed something like 15,000 on-screen murders.

And compared to what I understand is really going on in the streets of Washington, D.C.—drug wars, bullets flying, murders every night of the week—direct mail appeals are tame stuff.

One solution: people who do not wish to receive direct mail can write: Mail Preference Service, Direct Marketing Association, 6 East 43rd Street, New York, NY 10017. The DMA will send out notice to all list owners that the person writing in does not wish to be on mailing lists. This will cut down dramatically on the advertising mail a person receives. In the case of the very elderly, their children or guardians can send in this request. But as I said earlier, most people *like* direct mail; if that is the case—as with anything in life—you have to take the good with the bad.

ABOUT ENVELOPES AND FORMS THAT LOOK LIKE THEY COME FROM THE GOVERNMENT OR AN OFFICIAL AGENCY

I understand there are bills pending that would limit the use of "official looking" "government-like" outside envelopes and mailings. I am personally uncomfortable with laws that dictate the design of mailings. This borders on censorship and I believe runs the risk of violating the First Amendment right of free speech. Because direct marketing is a scientific business, mailings are made based on the information derived from tests or prior mailings. If an official-looking outside envelope works, a lot of mailers will copy it. Pretty soon mailboxes across the country will be blitzed with official-looking envelopes; consumers will start ignoring them. Mailers will start using some other kind of envelope. In the words of New York copywriter Don Hauptman, "The wheels of direct marketing turn slowly, but they grind exceedingly fine." Another weapon against a confused public is publicity and a vigilant postal inspection department to jump on any mailer whose mailings are deceptive or fraudulent.

Now, what could Congress consider legislating.

DIRECT MAIL IS A FUNCTION OF THE USPS

Direct mail is totally dependent upon the U.S. Postal Service, a corporation that is made possible by the U.S. Government and overseen by Congress. If the USPS delivers scam offers, it is aiding and abetting criminal activities, and doing it in interstate commerce. By logical extension, the U.S. Government is aiding and abetting criminal activities by making it possible for the criminals to send their scam offers interstate to be delivered by the USPS.

Therefore, it seems to me that there should be some regulations as to what can and cannot be mailed. and who can and cannot be partners with the U.S. Government. The following proposals are made with an eye toward censorship or violation of the First Amendment Right to Free Speech; rather here are some suggestions that will level the playing field for mailers and consumers alike.

I. NAME, ADDRESS & PHONE NUMBER OF THE MAILER IN EVERY MAILING

Many mailings have return addresses of box numbers—or even no return address at all, but rather a telephone number.

From the New Jersey Deceptive Mail Order Practices regulations. Subchapter 1. 13:45A–2.2 (e):

> *"It is a deceptive practice in the sale or offering for sale of consumer goods for a person (including business entity) conducting a mail order or catalog business in or from the State of New Jersey or advertising a State of New Jersey mailing address to fail to disclose in all advertising or other promotional materials containing a post office box address, including order blanks and forms, the legal name of the company and the complete street address from which the business is actually conducted."*

If the Federal Government would adopt a version of the New Jersey statute whereby the actual street address and perhaps the phone number of the mailer had to appear somewhere in the mailing (not on every piece), I would be in favor of it. One of the most difficult tasks we have is finding the true address of mailers who use PO Boxes or, worse, the address of their fulfillment house. For example, many start-up magazines use a PO Box in Boulder, CO (Neodata); there's no way of finding out who and where the mailer is located short of trying to talk your way into Neodata. What's more I recognize Neodata; the average person calling Boulder information and asking for the phone number of the publication would come up dry. The same is true for many of the scam postcards (e.g., "You have definitely won one of the following valuable prizes . . . ") where only a phone number is listed. Many fund-raisers have only a unique Zip Code as a return address (e.g., Washington, D.C. 20070–1234) which goes directly to a caging operation such as Washington Intelligence Bureau. This, by the way, was the case with Ralph Galliano's and Orrin Hatch's Congressional Majority Committee. The only address listed on the mailing is Washington, D.C., 20069–1034.

By forcing mailers who use the USPS to reveal the street address (and perhaps phone number) from which business is actually conducted, it would be easier to track down all mailers, legitimate and otherwise.

II. ANNUAL REPORTS FROM FUND RAISERS

As discussed previously, the idea of censorship is dicey. If Congress starts legislating what can and can not be written and designed in the mail, the next step would

be for it to take on the press. That would be a violation of our First Amendment right to free speech. All the debate, effort and money spent would be struck down by the Supreme Court.

What I believe Congress could legislate is *accountability.*

If fund-raisers are going to use the U.S. Mail to raise money, the donors and prospective donors should have every right to know where and how their money Is being used.

Therefore, would propose legislation be considered whereby all fund-raisers who use the U.S. Mails be required to sand to donors of a Certain amount (e.g. $25 or more per year) an annual report. This annual report does not have to be elaborate; 2 or 4 mimeographed pages in small type, audited and notarized by an accountant. But it should contain the following information:

(a) Sources and amount of revenue.

(b) Amount and percentage of revenue spent on programs, and what exactly are the programs.

Many organizations consider a major part of their program to be "information" or "education" or "independent expenditures." In actuality these education or Information or independent expenditure programs are simply fund-raising efforts that give a little information, but whose main thrust is asking for money. An example:

The notorious American Heart Disease Prevention Foundation Sweepstakes mailing from Watson & Huey (Sample enclosed). On the back of this fund raising effort is a few paragraphs: "Important Facts About Calcium that Can Help Prevent Heart Disease." This fund raising effort can now be called an educational effort, even though 4/5ths of it is devoted to a sweepstakes fund-raising effort. Attached is a copy of this mailing and the press coverage about this mailing and this private fund raising organization of Watson & Huey from *The Chronicle of Philanthropy.*

It seems to me that under this proposed legislation, quite simply, any mailing or telephone effort or space advertisement that asks for money must be a called a fund-raising effort. If there is no request for money, it can be called an "educational," "informational," or an "independent expenditure."

(c) Amount and percentage of revenue spent on administration.

(d) Amount and percentage of revenue spent on fund raising.

(e) The name, address and phone number of the professional fundraising agency (if any).

(f) Amount and percentage of revenues spent with the professional fund-raising agency and all of its affiliates, subsidiaries, and/or other companies owned by the agency or owned and controlled by family members and relatives of the agency's principals.

This requires some explanation. A Washington area fund-raising agency, Response Dynamics is a mini-conglomerate of 8 companies. It is under contract to a PAC called American Citizens for Political Action. According to Federal Election Commission reports, from inception through September 1988, American Citizens for Political Action took in $4,654,915. During that period, this PAC paid out to the Response Dynamics family of companies—a list rental company, telemarketing company, printer, fulfillment service, data management company, graphic design company—$3,259,851 or a whopping 70.1% of its revenues. If donors received an annual report that showed 70.1% of all money raised went directly to the for-profit fund-raising agency, they might think twice about giving any more.

(g) What other related organizations does this agency raise money for?

An explanation here. In the presidential primary of 1988, there were 3 Independent Political Action Committees: Americans for Dole, Americans for Kemp, and Americans for Bush. All three PACs were clients of the privately-held, profit-making Response Dynamics companies. Copy was written by the same copywriter; mailings went to the same lists; and the lion's share of the revenues from these Bush, Dole and Kemp efforts went to the Response Dynamics family of companies. It was the same as if a single agency handled all the advertising for Ford, Chrysler and General Motors. Presumably if a contributor knew that the lion's share of the money contributed to Americans for Dole would be going directly to a profit-making agency that was creating mailings for Kemp and

Bush, the contributor might have decided not to give. Or vice-versa. Or versevica.

Under Federal Election Commission rules, all of these mailings (and telephone calls) qualify as "independent expenditures." *not* fund-raising efforts. Even though the main thrust of all of them asking for money.

Another example. There are 3 charities: Alzheimer's Disease Research, Coronary Heart Disease Research and National Glaucoma Research all at the same office in Rockville, Maryland. According to a New York Daily News investigation published June 15, 1986, all three organizations have the same bank account; all use emotionally-charged, scary copy; all are run by Eugene Michaels; the charities purchased more than $1 million worth of services from a professional fund-raiser, a printing firm and an envelope-stuffing company owned in part or having as its officers Michaels's father—in-law, mother-in-law and his wife's two brothers. Eugene Michaels's wife Janet identified herself to the News as "paid acting director" of American Health Assistance Foundation.

(h) Main provisions of the contract with the fund-raising agency.

(1) The fee for each piece mailed.

(2) Other money paid to the agency (e.g., creative, administrative, overrides or commissions on outside printing, computer work, etc., postage, etc.)

(i) Who owns the list?

Is the client organization (PAC or Charity) charged a list rental fee each time it does a mailing to its own list. In effect, is it forced to rent its own list from itself? If the professional fund-raising agency owns all—or any part—of the list, that means PAC or charity has signed away its only real asset and is, in fact, a puppet owned by the agency and in business primarily to make money for the agency.

I believe this annual report form from all fund raisers who use the U.S. Postal Service should be standardized, easy-to-read and understand—just as an IRS form 990 . . . or a Federal Election Report . . . or the ABC or BPA reports on magazine circulation. are standardized so that the consumer can compare one organization with another.

In the business of fund raising, it's a given that the very best prospects for contributions are previous donors. Every fund-raising organization goes back to its donor base many times during the year.

Therefore, I would recommend that this standardized Annual Report be sent out automatically when a donor's total gift for the calendar year reaches that $25 which entitles him to the Annual Report.

Further, any person requesting the annual report should be able to receive it by sending in a pre-stamped, self-addressed envelope.

III. NO PAC OR SPECIAL PROJECT OF A PAC SHOULD BE ALLOWED TO RAISE MONEY USING A CANDIDATE'S NAME WITHOUT PERMISSION OF THE CANDIDATE

In 1987 and 1988 three organizations started up: Americans for Dole, Americans for Kemp and Americans for Bush. All were special projects of three different Political Action Committees that used the services of the same private fund-raising firm, Response Dynamics and its affiliated companies. During the presidential primary season, the mailboxes of conservatives were blitzed with mailings from these organizations. A sample from the letter from L. Brent Bozell III of the Conservative Victory Committee asking for money for its special project, Americans for Kemp:

" . . . And you and Jack Kemp have two things in common. First, you are both Conservatives. Second, you and Jack Kemp have always supported President Reagan.

"And for that reason, I have authorized the release of this exclusive information about Jack Kemp . . .

"Today I need you to stand proudly with Jack Kemp for a national defense second to none. I need you to stand proudly with the one man in Washington with the courage to lead America forward . . .

"As National Chairman of Americans for Kemp, I am turning to you for help now as I fight this nationwide battle. Just as you can count on Jack Kemp, I am counting on you. I am counting on your commitment to your Conservative beliefs and your unwavering love for America . . .

"To pay for the critical radio, television or print communications Jack Kemp needs, I must hear from you today. The battles and liberal attacks Jack Kemp faces in the coming months will be staggering. And if he is to survive these

early attacks, I must have your help now. Your help is absolutely critical to victory. "On behalf of Jack Kemp, I ask you to please help today."

When this mailing arrived, in December, 1987, Jack Kemp was in a life-and-death struggle for funds to pay for broadcast time and to fund a primary campaign. And in this letter, Bozell—a total outsider—is pleading for money "to pay for the critical radio, television or print communications that Jack Kemp needs."

Kemp's campaign received not one nickel from Bozell's group. Bozell paid for no radio, no TV, no print to help Jack Kemp's candidacy. The only one to profit from this effort (apart from the Response Dynamics family of companies) was Bozell himself who personally took $1,000 a month from the Conservative Victory Committee.

Following the primary, when George Bush was the Republican candidate, the Response Dynamics companies and Americans for Bush went into action. It mailed millions of fund raising efforts to conservatives. If you examine the Federal Election Commission reports, you will see that the overwhelming majority of the donors are senior citizens: retired, handicapped, housewives, living in nursing homes; many—if not most—believed they were giving to the real George Bush campaign. Americans for Bush raised $10,277,264—more money than any other Political Action Committee In 1988. Not one nickel of this $10-1/4 million went to the George Bush campaign. As of the beginning of October, the amount of money paid to—or earmarked for—the Response Dynamics family companies was 69.1% of the revenues.

As it stands now, any organization can use the name of a candidate or incumbent to raise money in that candidate's name. "Americans for Moynihan." . . . "Friends of Heinz" . . . "Citizens for Foley . . . " Under Federal Election Commission rules and under the First Amendment, these committees can make fund-raising mailings and telephone calls; the net effect Is that they are siphoning money away from the legitimate campaign and influencing the outcome of the election.

I would like to make available to the committee a complete research on this sad chapter of the 1988 election if there is interest in pursuing this. I would hope that the Congress would pass legislation that forbids an organization from raising money using the name of a candidate or incumbent without explicit written permission. There are two reasons for this legislation; preservation of the American political system as we know it. and preservation of the individual proprietorship of your name and my name, which—as the law stands now—can be taken away from us.

Thank you,

Attachments.

from the front page of

THE WALL STREET JOURNAL

MONDAY, SEPTEMBER 25, 1989

You Call It Junk, But Denison Hatch Sees Gold in It

• • •

Expert Collects Junk Mail, Compiles It and Creates It; The Benefits of Fine Print

By Cynthia Crossen
Staff Reporter of The Wall Street Journal

STAMFORD, Conn. – Imagine a guy who sits in a cubicle 12 hours a day, poring over junk mail the way Frank Perdue scrutinizes chickens. That's Denison Hatch.

To Mr. Hatch, junk mail is both profession and obsession. He has been creating it since 1968, collecting it since 1976 and publishing Who's Mailing What!, a monthly newsletter about it, since 1984. The bottom of Mr. Hatch's split-level home in Stamford is a shrine to junk mail, with more than 8,000 pieces crammed into every drawer and basket.

"This is the kind of stuff that's never been gathered before," says Mr. Hatch, who estimates that he reads about 1,000 pieces of junk mail a week. "Nobody's ever been crazy enough."

Pity the Postman

In fact, for many people, just having to lug all those smoked-ham catalogs, sweepstakes teasers and fund-raising appeals from mailbox to wastebasket is annoying enough. Last year, almost 62 billion pieces of such third-class mail found their way into American homes, more than double the 26.3 billion pieces 10 years earlier, according to the Direct Marketing Association, an industry trade group. In a 1987 study, the U.S. Postal Service found that the average American household was receiving about 10 pieces of junk mail a week, and that those households definitely wouldn't respond to some 58% of the direct-mail advertising they received.

Mr. Hatch believes that however much people carp about junk mail, most couldn't live without it. "People are basically lonely," he says, "and no one likes an empty mailbox. The mail is your private check that the system is working." Furthermore, by the year 2000, Mr. Hatch argues, "the entire country will be individuals sitting in their individual rooms looking at their individual television sets. Direct mail will cash in on that isolation."

Perhaps the only one as addicted to junk mail as Mr. Hatch is Axel Andersson, a semiretired owner of correspondence schools in Europe who often spends days at the Library of Congress studying the theory and practice of junk mail. "Direct mail gives you extraordinary insight into human nature," says Mr. Andersson, to whom Mr. Hatch sends his surplus every month. "You change one little headline, and you may have 80% more response."

Filling a Vacuum

Until Mr. Hatch set up shop as self-appointed archivist, critic and watchdog of junk mail, the grass-roots industry was largely uncataloged. Although the people who sent it knew if it was working, no one else was keeping track. There was no central library of direct mail, nor were there any computerized data about it. "We're the only organization trying to tame what's basically secret," he says.

Now, thanks to Mr. Hatch's archive and his research about various mailings, a person can quickly find out such esoterica as how many collectibles companies included sweepstakes in their direct-mail offers in the past year, as well as the size of the envelopes used. This information, which Mr. Hatch sells to the public for a modest fee, is free to the 1,500 or so subscribers who pay $168 a year to get his newsletter.

To keep the archive up to date, Mr. Hatch relies on 20 unpaid correspondents across the country, ranging from industry insiders to Mr. Hatch's brother-in-law, a New Jersey lawyer named Ralph Neibart. Mr. Neibart remembers once delivering a bag of his junk mail by hand to Mr. Hatch's house. "It was like taking him a great present – his eyes lit up, and he went off to look at it," Mr. Neibart recalls. "I don't ever expect to have the enthusiasm for it that he does, but I know enough not to call it junk anymore."

Mr. Hatch employs three part-time helpers to open, measure, count and code each piece. When these tasks are done, he reads it all himself.

Mr. Hatch estimates that a direct-mail package has about four seconds to capture someone's attention before it hits the garbage can. That's why mailings that look like checks or telegrams, or that incorporate tabs to pull or cards to tear apart, are so successful. People also respond to packages that require the customer to insert disks into slots. "It's Freudian," Mr. Hatch opines.

As for what makes a piece of junk mail "bad," Mr. Hatch says the sole criterion is that it fails to make a sale. But the mystery behind that failure is one reason Mr. Hatch loves junk mail so: It's both mathematically precise (results of a mailing can be measured to the hundredth of a percentage point) and completely unpredictable.

When Historical Times Co. was soliciting customers, in a so-called dry test, for Civil War-related products that didn't yet exist, the company's lawyers insisted that the package include a microscopic line noting that the offer was contingent on receiving enough orders. That line, the only difference between the new mailing and earlier ones, increased response by 15%. From then on, the company put the line on all its offers.

Of course, the unpredictability of junk mail sometimes works the other way. Mr. Hatch, who created direct-mail offerings in a variety of jobs and still does free-lance work, devised a package for the mutual-fund giant Fidelity Investments that hit mailboxes on Oct. 19, 1987. "The mailing got one letter," he says.

Mr. Hatch believes the writing in direct-mail packages is the best being done in English today. "You have to put yourself inside the head of the person who's going to get the mailing and figure out all the reasons why he isn't going to buy the product," says Mr. Hatch. "Four weeks later, someone's going to get this thing, which they've forgotten they ordered, and you damn well better resell it. Then you've got to figure out why this guy isn't going to mail his check. You have to think so many steps ahead, it's like a good novel."

Mr. Hatch acknowledges that there is some deception in junk mail – decorating the envelopes to make people believe they are receiving overnight mail or interoffice envelopes, for example. Even he is occasionally tricked into opening something under false pretenses. "I got a letter from Isaac Asimov," he says. "Now, I've never met Isaac Asimov, but people occasionally write to me. . . . I opened it, and it was a pitch for [public television] Channel 13. I was ticked off at being duped."

Mr. Hatch also says he goes into terrible funks when he sees the scams that come in direct-mail packages. He hands over 30 to 40 such mailings every month to the local postal inspector. Recently, he has been amazed by the raft of graphic fund-raising solicitations from animal-rights groups.

Last April, using the pseudonym George Haskins, he sent letters to some 60 animal-rights groups, saying that his great aunt had recently died and left him in charge of distributing a large bequest to groups like theirs. On reviewing their financial statements, Mr. Hatch says he found that some were stuffing an "unconscionable" amount of revenue back into the bank instead of paying for programs. Others were raising money without having any programs in place, simply plowing the money back into more direct-mail efforts.

"Little old ladies are throwing money at some of these guys," he says. "These guys have discovered that women, children and animals make money."

Nevertheless, Mr. Hatch believes that, at its best, junk mail can be a force for the good. It's a mail on your shelf, he says, especially good for two-income couples with no time to spare. In fact, two-career couples figure prominently in his favorite junk-mail fantasy.

"It's a mailing to a two-income family," he says. "After dinner, when the kids are in bed, the wife comes in to her husband and says, 'Darling, I got the most interesting mailing today, and I want to sit down and talk to you about it.' " Mr. Hatch pauses briefly, then adds, "I don't think that has ever happened."

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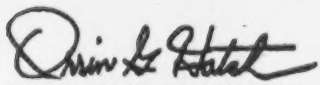


UNITED STATES SENATOR
WASHINGTON, D.C. 20069-1034

Congressional Majority Committee

Congressional Advisory Board

U.S. Senate

Jesse Helms
North Carolina

Steve Symms
Idaho

Paul Trible
Virginia

House of Representatives

Cass Ballenger
North Carolina

Herbert H. Bateman
Virginia

Jack Buechner
Missouri

Sonny Callahan
Alabama

James A. Courter
New Jersey

Jack Davis
Illinois

Hal Daub
Nebraska

Tom DeLay
Texas

Robert K. Dornan
California

David Dreier
California

Newt Gingrich
Georgia

James V. Hansen
Utah

Wally Herger
California

Duncan Hunter
California

Donald E. (Buz) Lukens
Ohio

Bill McCollum
Florida

Denny Smith
Oregon

Barbara Vucanovich
Nevada

George Wortley
New York

Dear Fellow Conservative,

As a U.S. Senator, I have taken the bold step today of sending you the first page of President Reagan's vital defense budget for our strong America.

As a U.S. Senator and a fellow Conservative, I am asking you to endorse our President's defense budget with your signature and return it to me today.

I urgently need your defense budget endorsement right away to trigger two crucial national security events.

First, I will tell Congress, the national news media, and the American people that you support our President's defense budget 100%.

And second, I will bring your signature into the Halls of the U.S. Senate.

I want to personally show my fellow Senators that you stand behind President Reagan and his vital budget for America's national defense.

With the liberals attacking President Reagan's defense budget right now, it is urgent that I take these crucial steps right away.

And it is vital to America's national security that I hear from you within ten days or less.

Right now, America faces the greatest military crisis of the century.

Right now, the Soviet Union is pumping billions of dollars into the most massive military buildup of all time.

And right now, the anti-defense liberals are preparing to slash President Reagan's budget for our strong defense.

Your support for President Reagan and his defense

Paid for by the Congressional Majority Committee.
Not authorized by any Candidate or Candidate's Committee. Contributions or gifts to this organization are not deductible as charitable contributions for federal income tax purposes.

budget is the ammunition I need today to help stop the liberals from destroying America's national security.

And I must be blunt with you, my friend.

This will be the toughest Conservative defense battle you and I have ever fought against the anti-defense liberals.

The anti-defense liberals who control the U.S. Congress want to cut President Reagan's defense budget in the face of the massive Soviet military build-up.

The Soviets are right now building a new, advanced nuclear attack-submarine.

Yet every day, I hear the anti-defense liberals shouting to cut funding for the Trident Submarine.

The Soviets' new fighter planes continue to roll off the Soviet assembly line.

Yet every day, I hear the special-interest liberals demanding more cutbacks in funding for the B-1 Bomber.

The Soviets are aiming more nuclear warheads at America.

Yet every day, I hear the anti-defense liberals calling to cut funding for the MX and Midgetman Missiles.

If you and I do not stop the liberals right now from destroying our President's defense budget, America will never be able to stand up to the awesome Soviet war machine.

Just look at how the massive Soviet war machine towers over America's military.

The Soviet Union and its allies have more than 176 combat divisions. America and our allies have only 93.

The Soviet Union and its allies have more than 50,000 tanks. America and our allies have less than 25,000.

Right now the Soviet Union has 6,250 combat aircraft.

America has only half that number.

As a U.S. Senator, I must warn you today that America has never faced a greater or more dangerous military crisis.

The Soviet Union has 6,400 intercontinental ballistic missile warheads while America has only 2,100.

Still the liberals want to severely cut funding for the MX missile and Midgetman ICBM.

The Soviet Union is right now developing a new killer-

submarine that will stalk American ships virtually undetected.

Still the anti-defense Congress wants to make drastic cutbacks in America's Trident Submarine.

The Soviet Union has 450 long-range nuclear bombers compared to America's 350.

Yet still the liberals want to cut the B-1 Bomber.

The liberals are oblivious to how their defense cuts will critically damage America's national defense.

The crucial facts are before them, my friend, but the liberals refuse to open their eyes to see the crisis.

Every day in the U.S. Senate, I battle the liberals to save President Reagan's defense budget.

Every day in the Senate Budget Committee, I go head-to-head against ultra-liberals to fight for America's strong defense.

And every day, our Conservative battle grows more difficult.

The sheer majority of anti-defense liberals in the U.S. Congress is overwhelming.

But it is crucial to America's national security that you and I not allow ourselves to be overwhelmed.

For the toughest and most critical battle for President Reagan's defense budget is raging right now.

Everything is on the line, my friend.

The MX missile...the Midgetman ICBM...the B-1 Bomber...the Trident Submarine...the Strategic Defense Initiative.

If you and I let the anti-defense liberals destroy these critical defense programs, America's hope for a secure future will be doomed forever.

For the sake of America's national defense, I need you to take two urgent steps immediately, my friend.

First, I need you to endorse President Reagan's defense budget with your signature and return it to me today.

And second, I need you to send your maximum, emergency contribution to the Congressional Majority Committee right away.

The Congressional Majority Committee is fighting shoulder-to-shoulder along with me and our Commander-in-Chief to save President Reagan's defense budget.

I cannot stress enough how vital it is to America's security

that the Congressional Majority Committee and I hear from you immediately.

I need your signature on President Reagan's defense budget right away to help me convince my liberal colleagues in the U.S. Congress to save America's vital defenses.

And I urgently need your check for $25, $50, $100, $500 or more today to bring our crucial battle for President Reagan's defense budget before the American people.

You and I have very little time to blanket the national news media with the vital facts America must know.

You and I have only a few days to flood the Senate chambers with your endorsement of President Reagan's defense budget.

And you and I must right now wage our toughest battle ever to counter the anti-defense liberals' massive assault against our strong America.

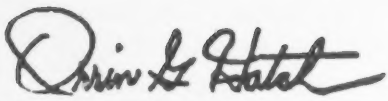
In this darkest crisis for America's military, the Congressional Majority Committee and I need your check for $25, $50, $100, $500 or more right away.

Please, my fellow Conservative, for President Reagan and our strong America, I must hear from you today.

Sincerely,

Orrin Hatch

Orrin Hatch
United States Senator



UNITED STATES SENATOR
WASHINGTON, D.C. 20069-1034

Dear Senator Hatch,

To help you and President Reagan save America's strong future from liberal destruction, I have signed the President's defense budget and am sending it to you with my contribution of:

[ ]$25 [ ]$50 [ ]$100

[ ]$500 [ ]Other $_____

Please return this page with your contribution to:
CONGRESSIONAL MAJORITY COMMITTEE
Washington, D.C. 20069-1034

(Please print information below)

Name _____

Address _____

City _____ St _____ Zip _____

Telephone # (_____) _____ - _____

The Federal Election Commission requests that we ask:

Occupation: _____ Employer: _____

Corporate contributions can be accepted. They should be made payable to "CMC State Fund" and will be used in connection with the state and local races where corporate contributions are permitted. Contributions or gifts to this organization are not deductible as charitable contributions for federal income tax purposes.

President Reagan's Budget for America's National Defense

NATIONAL DEFENSE

(Functional code 050, in millions of dollars)

Major missions and programs	1985 actual	1986 estimate	1987 estimate	1988 estimate	1989 estimate
BUDGET AUTHORITY					
Department of Defense-Military:					
Military personnel	67,773	67,672	74,203	75,430	76,119
Operation and maintenance	77,803	74,851	85,773	90,890	97,281
Procurement	96,842	92,611	95,777	102,400	112,030
Research, development, test and evaluation	31,327	33,736	41,930	42,108	41,303
Military construction	5,517	5,281	6,743	8,999	8,982
Family housing	2,890	2,801	3,396	4,076	4,515
Revolving funds and other	5,182	2,123	1,270	1,707	1,637
Offsetting receipts:					
Existing law	−532	−713	−843	−840	−873
Proposed legislation			100		
Allowances: Civilian pay raises			716	1,732	2,766
Allowances: Military pay raises and benefits			2,611	5,929	9,664
Allowances: Other legislation (proposed)		50	−77	−32	74
Subtotal, Department of Defense-Military	286,802	278,412	311,600	332,400	353,500
Atomic energy defense activities	7,325	7,232	8,230	8,720	9,300
Defense-related activities	528	471	510	452	429
Total, budget authority	294,656	286,115	320,340	341,572	363,229
OUTLAYS					
Department of Defense-Military:					
Military personnel	67,842	71,438	73,610	74,842	75,548
Operation and maintenance	72,348	74,137	80,872	81,023	87,163
Procurement	70,381	75,702	76,708	81,243	88,881
Research, development, test and evaluation	27,103	28,702	31,618	36,649	38,447
Military construction	4,260	4,545	4,592	5,473	6,590
Family housing	2,642	2,446	2,491	3,010	3,506
Revolving funds and other	1,325	2,143	1,847	1,851	1,852
Offsetting receipts:					
Existing law	−532	−713	−843	−840	−873
Proposed legislation			100		
Allowances: Civilian pay raises			704	1,668	2,668
Allowances: Military pay raises and benefits			2,568	5,873	9,600
Allowances: Other legislation (proposed)		25	−2	−92	−83
Subtotal, Department of Defense-Military	245,371	258,425	274,265	290,700	313,300
Atomic energy defense activities	7,098	7,152	7,708	8,400	9,000
Defense-related activities:					
Existing law	279	250	515	29	−18
Proposed legislation			−250		
Subtotal, Defense-related activities	279	250	265	29	−18
Total, outlays	252,748	265,827	282,238	299,129	322,282

Dear Senator Hatch,

By my signature below, I hereby endorse President Reagan's budget for America's strong national defense.

_____ _____

Signature Date

FROM: _____

PLEASE PLACE POSTAGE HERE

U.S. Senator Orrin Hatch
Congressional Majority Committee
Washington, D.C. 20069-1034

[redacted]

IMA150

57

Hatch 8

WHO'S MAILING WHAT!

The Monthly Newsletter, Analysis and Record of The Direct Marketing Archive

P.O. Box 8180, Stamford, Connecticut 06905
(203) 329-1996

DENISON HATCH

Biography

Denison Hatch, editor and publisher of WHO'S MAILING WHAT!, is a direct mail consultant, designer and copywriter. In 1984, he launched WHO'S MAILING WHAT!, the monthly newsletter and archive service based on his massive library of some 8,000 mailings in nearly 200 categories--consumer, business, fund-raising, financial services, publications and catalogs. To create the newsletter, Hatch personally reads 4,000 to 5,000 mailings every month.

Hatch is also editor and publisher of the directory, Who's Who in Direct Marketing Creative Services--1989-1990, and co-publisher of the 1990 Directory of Major Mailers and What They Mail containing detailed information on more than 4,000 mailers and some 15,000 mailings over the 12 month period from July 1988 through June 1989. He writes the "Catalog Critic" column for AdWeek's Marketing Week. His background includes stints as a book club director for Macmillan and Meredith and 3-1/2 years as a copywriter for the Weintz Company.

Hatch is a frequent speaker at direct marketing conferences and has lectured at the Asian Direct Marketing Symposium in Hong Kong and at New York University; he was profiled in a page one story in The Wall Street Journal (9/25/89) and has been quoted in Forbes and Business Week. He is the author of three published novels.

PREPARED STATEMENT OF KENNETH M. HEARST

Mr. Chairman, I am Kenneth M. Hearst, Assistant Chief Postal Inspector for Criminal Investigations. I am pleased to appear here today to assist your efforts to protect the elderly from misleading solicitations. We share your concern and have, for several years considered schemes to mislead or defraud the elderly as among our highest investigative priorities.

Since the early days of our Nation, the Postmaster General had statutory responsibility for detecting and investigating crimes against the Postal Service and crimes involving use of the mails. After postal reorganization in 1971, that function remained with the Postal Service, along with responsibility for auditing postal finances and operations. Today, these functions are delegated to the Postal Inspection Service. As Assistant Chief Inspector for criminal investigations, I oversee investigative and enforcement efforts which include programs to prevent violations of postal statutes and to protect the Postal Service, its employees, and the mails from attack and abuse.

Our investigative responsibilities include such offenses as: armed robberies; murder of, or assaults upon, our employees; burglaries; theft of mail; mailings of obscene matter, bombs, drugs; and, use of the mails to swindle the public. During our last fiscal year, postal inspectors completed over 17,000 criminal investigations and made over 11,500 arrests. At the close of our fiscal year, over 18,000 criminal investigations were open. The Chief Postal Inspector also serves as the Inspector General of the Postal Service, with enhanced responsibility and authority to prevent fraud, waste and abuse against the Postal Service.

To meet these responsibilities, we employ approximately 2000 postal inspectors, 1600 postal police officers, and about 800 professional, technical, and support employees. among our inspectors are lawyers, certified public accountants, statisticians, economists, criminologists and members of other professional disciplines.

Among other duties, I am responsible for the development and national implementation of the efforts of the Postal Inspection Service to enforce one of the Federal Government's oldest consumer protection laws—the Mail Fraud Act of 1872. The criminal provisions of this law are now codified as section 1341 of title 18, and civil-administrative provisions, known as the "postal false representations statute," are codified as section 3005 of title 39.

The mail fraud statute makes it a felony to use the mails as an integral part of an intentional scheme to defraud. In the postal fiscal year that ended September 30, postal inspectors completed 2054 mail fraud investigations which led to 1593 arrests. As with all criminal matters, mail fraud prosecutions are conducted by the Department of Justice. Our role is to investigate possible violations and present our findings to the Department of Justice. They, in turn, decide whether to initiate prosecution. Fraud violations are among the most complex and time-consuming matters we investigate, often requiring the examination and analysis of voluminous documents and testimony gathered by grand juries. During the course of these often prolonged investigations, a violator can continue to receive the fruits of his scheme. Where the scheme involves attempts to receive money or property by mail, the postal false representation statute and a companion injunction statute, 39 U.S.C. § 3007, can be used to prevent public loss of this kind. Upon a showing of probable cause that the violator is conducting a false representation scheme in violation of § 3005, a district court judge may issue an order to detain mail in response to the scheme until the conclusion of the administrative proceedings authorized by the statute.

The false representation statute permits the Postal Service, under procedures which comply with the Administrative Procedure Act, to impose administrative sanctions against persons who seek to obtain money or property through the mails through false representation of material facts. The sanctions authorized by the statute include orders directing a false advertiser's Postmaster to return to senders all mail in reply to the false advertisement and to refuse to pay postal money orders sent in response to that advertisement. In addition, the Postal Service may order the advertiser to cease and desist from continuing or resuming the false representations scheme. Violations of these cease and desist orders are subject to civil penalties of up to $10,000 per day pursuant to 39 U.S.C. 3012. In our last fiscal year, the Postal Service initiated 599 formal false representations cases, which resulted in 493 consent agreements under which the advertisers agreed to discontinue the scheme and accept the entry of a cease and desist order. Including litigated cases, a total of 555 cease and desist orders were issued against those involved in the schemes. In addition, postal inspectors obtained written agreements from 7372 promoters of minor false representation schemes to voluntarily discontinue their promotions.

The mailing practices which are the concern of this hearing are typically more cognizable under the false representations statute than the mail fraud statute because of the difficulty in these kinds of cases of proving intent to defraud beyond a reasonable doubt as would be required in a criminal mail fraud prosecution. But, often, these practices also do not meet the legal standards applicable to the postal false representations statue. Many mailings which may confuse some postal customers into believing that they originated with or had the approval of the Social Security Administration or some other agency of the United States Government cannot be successfully challenged under either statute. To prevail under the false representations statute, we must be able to show more than the fact that the solicitation is confusing. We must show that it misrepresents a material fact. Under our case law, to determine whether an advertisement makes a representation, the Administrative Law Judge must review the advertising in its entirety and determine how it would be interpreted by the average recipient. He must then determine if the representation is false, and, if so, if it is a representation which the average person would take into consideration in deciding whether or not to remit money or property through the mail.

The so-called "look-alike" envelope which is designed to give the appearance of originating with a government agency has become an all too familiar source of complaints from our customers. In fact, the Senate is currently considering S. 273, legislation which would restrict the mailing of such solicitations. "Look-alike" envelopes often are of a color similar to that used by the government and almost always bear a trade name that sounds somewhat like a government agency and a Washington, D.C. mail drop's address. Frequently, the illusion of government origin is enhanced by the use of printed matter urging the purchase of savings bonds, purported in-

structions to Postmasters on how to handle the mail, or some claim to be "official business." Another common device involves the use of emblems, such as an eagle, which are similar to official emblems of government agencies.

Standing alone, envelopes designed in this manner and used to market a product or solicit funds on behalf of a private organization, would be actionable under the false representations statute. But, typically, once the addressee has opened the envelope, the contents make it reasonably clear that the mailing did not originate with the government. Those who use this marketing gimmick recognize, but defend, its deceptive nature by asserting that it is an effective technique for causing the addressee to open advertising mail rather than simply discard it unread. For purposes of the postal false representations statue, if the true origin of the mailing is made clear to the theoretical "average recipient," under our case law, the deceptive envelope is not actionable. This is not to say that some of our customers are not confused by such mailings and, indeed, misled. Based upon the complaints we have received over the past few years it is clear that this mailing technique has confused and misled some people, including senior citizens. In the recent past, the Congress found it appropriate to expand the reach of the postal false representations statue to include a confusing practice that could not successfully be challenged under the existing statute. A popular marketing technique of the 1960's involved the mailing of solicitations to subscribe to various trade publications and directories. Instead of a forthright description of the product with an invitation to purchase, these solicitations were designed to look like bills for a previous subscription. If the business addressee who received these "look alike bills" carefully read the document and consulted his records, he would have known that there was no existing obligation. But the mailers correctly assumed that many businesses would simply believe that the relatively minor sum was owing and pay it without further inquiry. Embarrassingly, we became aware of cases where postmasters paid such look-alike bills. When we moved against some of these schemes we found it surprisingly difficult to prove that the addressee had been the victim of a false representations scheme and were frustrated by the fact that there was no clear legal standard for what constituted a bill, just as there currently is no clear legal standard for what constitutes the accepted design of a government envelope. The Congress responded to public confusion and complaints about this practice in a manner very similar to that proposed in S. 273. Section 3001(d) of title 39 was enacted to require prominent disclosure on the face of such documents of their true nature and section 3005 was amended to provide that failure to provide the disclosure would constitute prima facie evidence that the false representations statute had been violated. While we still encounter these mailings from time to time, primarily from foreign mailers, the legislation appears to have had a significant impact. In recent years we have investigated many promotions which gave an appearance of government affiliation. We frequently encounter advertising that uses a false facade of government origin or approval to market medallions under a false impress ion that they are coins minted by the United States Mint. Similarly, the technique is often used to solicit funds, allegedly for medical research, under a false impression that the funds are sought by an organization affiliated with or approved by the National Institutes of Health. And, from time to time, the technique is used to solicit fees for alleged advantageous information, such as that which would be useful for participation in mineral leasing programs conducted by the department of the interior, or for an alleged opportunity to gain some special advantage in the purchase of surplus government property from the general services administration or the Department of Defense, or for obtaining a social security number for a dependent child. I would like briefly to summarize some examples of cases of this type which we have initiated in recent years:

• An individual trading as "Home Owner Services Administration, Department of Homestead Assistance," and using a Sacramento, CA. mailing address, concocted a mailing which gave the appearance of coming from the State government and offered for a fee to provide a filing service for a "homestead exemption" from judgment liens. The promoter agreed to cease and desist from this practice and make refunds to those who had responded to his mailing.

• Three individuals trading as "S.S.A.O" mailed thousands of postcards that appeared to have originated with the Social Security Administration. The cards were prominently stamped *"important notice"* and admonished the addressee to promptly obtain Social Security cards for his children. The necessary forms would be furnished for $10. They are, of course, obtainable without charge from the Social Security Administration. We obtained a district court order allowing us to detain mail addressed to this promoter. Ultimately a consent agreement was accepted including a cease and desist order.

• In a similar scheme, individuals using the name "Federal Social Security Center" and a Washington, D.C. mailing address used an envelope which resembled a government envelope, even to the point of including the phrase "official business." The solicitation stated that official records indicated that the addressee had children who had not obtained Social Security cards and offered to provide the necessary forms for $11. The promoters agreed to cease and desist from this scheme and to make refunds to their victims.

• A promoter in Ohio, using the name "Department of Unclaimed Funds," and envelopes and symbols which resembled those used by the government, offered for a fee of $19.00 to "verify" the addressee's entitlement to unclaimed funds. In fact, the victims of this scheme received a publication discussing possible sources of unclaimed funds throughout the country. Following extensive hearings, the Postal Service issued an order requiring the return to senders of mail in response to the scheme and directing the promoter to cease and desist from continuing the scheme. The Postal Service orders were subsequently upheld upon judicial review and the Supreme Court denied certiorari.

The most prominent examples of this practice over the past few years have involved solicitations for funds to lobby the Congress to protect Social Security benefits and offers to sell services or information obtainable without charge from the Social Security Administration. We have participated in several hearings before House and Senate committees concerned about these practices. In my opinion, these hearings have generated publicity which resulted either in a reduction in these kinds of mailings or greater public awareness of the practice and consequent reduction of confusion. In any event, we are seeing fewer complaints regarding this practice than we were seeing a couple of years ago. I don't, however, want to be misunderstood as saying that this practice has ended. We have seen time and again that, although the public will eventually become aware of the true nature of most deceptive mailing schemes, if the scheme yielded a profit, it is sure to return in a few years to prey upon a new generation of victims. Even though the Social Security mailing schemes seem to have died down, I commend you for your interest in this subject and we continue to support the enactment of legislation that can be used to prevent or respond more effectively to a new outbreak of the problem.

Many of the mailings that are the concern of this hearing are made by allegedly nonprofit organizations soliciting funds for a charitable or lobbying purpose. Public complaints about questionable solicitations have increased substantially in recent years, and the elderly are among the more generous contributors to charitable causes. In the past two postal fiscal years postal inspectors conducted 141 investigations involving possibly false or fraudulent appeals for funds by mail.

The investigation of possibly false or fraudulent appeals for funds by ostensibly nonprofit organizations is one of the most difficult challenges our inspectors encounter. Whether an organization is using the funds the public contributes for the purposes described in its solicitation usually can only be determined by examination of the organization's financial books and records. Only by careful study of the organization's finances can it be determined whether, and to what extent, contributions actually find their way to the ostensible beneficiaries of the appeal. Our ability to acquire access to this type of information is very limited.

While such information may be acquired by a grand jury during a criminal investigation, as previously noted, such proceedings may be protracted and public injury may continue unless we obtain injunctive relief under 39 U.S.C. § 3007. However, our ability to obtain such relief is hampered in these kinds of cases because we have no authority under the false representations statute to demand access to such records prior to initiating proceedings. Because our Administrative Law Judges lack contempt powers, they have limited ability to compel access to such materials.

The most critical need for such knowledge exists before we initiate proceedings. It is at the very beginning of a questionable fund raising campaign, when initial complaints from the public suggest that further inquiry is warranted, that ability to examine the organization's use of funds is most desirable. The longer legal action is deferred, the greater the public's loss. Conversely, an examination which reveals that the money is being spent as represented would obviate the need for a lengthened investigation, saving time and effort for both the inspection service and the organization involved.

We cannot initiate proceedings based upon hunches or mere suspicion in the hope that during the proceedings we will develop some evidence. The Postal Service, like other Federal agencies, is subject to the equal access to justice act (5 U.S.C. 504; 29 U.S.C. 2412), which allows the public to recover from the Federal agency attorneys' fees and other expenses incurred in defense of an action initiated by the agency without substantial justification. Where an agency initiates an action based upon

scanty evidence in the hope of being able to obtain adequate evidence through post-complaint discovery, conflict with the requirements of the equal access to justice act—not to mention basic concepts of fairness—is likely.

Accordingly, lack of investigative authority to obtain necessary information prior to filing of an action typically means that we usually are unable to use the civil false representations statute in cases where the ultimate use—or misuse—of contributions is the focus of concern.

Often, our cases involving charitable solicitations involve misuse of funds by individuals having management responsibilities in the organization. Several years ago we investigated a mail fraud case involving an individual who diverted to his own use funds solicited by the palatine missions. More recently, we participated with other agencies in a task force, supervised by the Department of Justice, which resulted in the convictions of Jim Bakker and others for misuse of funds solicited by the PTL organization.

Notwithstanding the limitations of our civil misrepresentation statute in cases involving misuse of contributions, it has been used successfully against organizations claiming to be charities.

In the summer of 1987, we obtained a temporary restraining order, and subsequently final agency mail stop and cease and desist orders, against the league of St. Anthony, an organization in Cleveland, Ohio purporting to consist of Roman Catholic friars engaged in service to the public. The nationwide solicitations requested money for repairs to the friary and to enable

Continuation of good works. in fact, the league consisted of a rock-and-roll singer and some of his friends. The "friary" was a house in which he and his friends had lived before it was sold to his brother. The contributions he received were devoted to advancing his recording career and paying his college tuition. After pleading guilty to a mail fraud indictment this past summer, "Brother Anthony" was sentenced to a three-year jail term.

Last year we concluded civil litigation against an individual who claimed to represent Senator Phil Gramm and solicited campaign funds on his behalf without Senator Gramm's consent and against his objections. While the courts upheld the Postal Service's determination of false representations, we ultimately lost this case on jurisdictional grounds, the court concluding that the Federal Election Commission had exclusive jurisdiction over practices of this type, particularly with respect to requirements for disclaimers of affiliation with candidates or their committees.

During the past few years we brought several misrepresentation cases against promoters from Florida who stage circuses or other shows in conjunction with fraternal or charitable organizations. They sold tickets by telephone, representing that for every so many dollars in tickets sold, a handicapped or underprivileged child will attend the show. In these cases, there is no real correlation between the amounts received for tickets and the number of children who attend the performance. Very few, if any, such children typically attend the performances, as tickets are generally sent unsolicited to homes and institutions a short time before the performance, leaving little time for the homes or institutions to make arrangements for transportation, escorts, etc. typically, little of the proceeds collected go to the "sponsor" organization, the greater portion being allocated to fundraising and show production costs-both activities being controlled by the same promoter. the relatively small portion of the funds that actually reach the "sponsor" amount to little more than a license fee for the use of their name and good will.

With respect to direct mail solicitations, most recently, we concluded civil proceedings against Pacific West Cancer Fund, Robert R. Stone, and the Watson and Hughey Company. The proceedings concerned a solicitation in the name of Pacific West that purported to be a prize award notification from an attorney, Robert R. Stone. In fact the "prize" most recipients received was a check for approximately ten cents. Our action against this and other organizations focused on alleged misrepresentations concerning the size and awarding of the prize, the use of a participant's name, and the allocation of the funds raised for the espoused charitable purposes and, as well as an illegal lottery.

In these proceedings we initially obtained a temporary restraining order against the delivery of the mail in response to the attorney notification type solicitation that was being delivered in Topeka, Kansas. Following this action, we entered into settlement discussions which embraced solicitations conducted by Watson & Hughey on behalf of Pacific West Cancer Fund, Cancer Fund of America, Cancer Association of Tennessee, and the Walker Cancer Research Institute. On June 20, consent agreements were filed pursuant to which these organizations and Watson and Hughey agreed to cease and desist from using an attorney's name in connection with any sweepstakes unless the solicitation has been approved by the Postal Service. In any

future sweepstakes they must disclose that no payment is necessary to enter. They must also disclose the value of the prizes, the odds of winning, and when and how prize awards are determined.

The agreement also provides that the organizations must cease and desist from falsely representing that they use funds raised through the solicitation primarily for the stated charitable purposes. The organizations agreed to notify all persons whose response to the attorney notification letter was detained as a consequence of the injunction of the actual uses to which donated funds have been put and offer to refund their contribution. pursuant to section 3012 of title 39, failure to comply with a cease and desist order can result in the imposition of civil penalties of up to $10,000 for each day the violation continues.

While this hearing focuses on schemes aimed at the elderly, in our experience, no inference is warranted that the elderly are more gullible than the general population. The schemes we have talked about today victimize a wide cross section of the population. The elderly are the targets, however, of particular types of promotions such as supplemental health coverage schemes, deceptive life insurance schemes, quack medical promotions, schemes involving the alleged need to preserve Social Security benefits, and appeals for funds to cure diseases that particularly affect older persons.

Because of normal changes in human vision that occur with aging, fine print disclaimers buried in the text of solicitation letters are unlikely to be read carefully, or even noticed by elderly recipients. It probably is no accident that the operators of the kinds of schemes we have been talking about will typically use a name in bold type that implies government connection, or a legitimate medical research purpose, and then disclaim away the intended implications in fine print disclaimers obscurely located in the solicitation.

That concludes my prepared remarks. I would be pleased to try and answer any questions you may have.

PREPARED STATEMENT OF MARTHA A. MCSTEEN

Mr. Chairman, my name is Martha McSteen, and I am President of the five-million member National Committee to Preserve Social Security and Medicare.

Thank you, Mr. Chairman, for the opportunity to present the facts concerning the issue of educational mailings to senior citizens regarding the Social Security system. I also thank you on behalf of our membership for your leadership and commitment to the Social Security System as well as other issues vital to our senior citizens.

As our name indicates, the preservation of a strong Social Security system is the very reason for the existence of our grassroots membership organization.

Our organization was founded in 1982 by the son of President Franklin Roosevelt, the architect of Social Security. Former Congressman James Roosevelt established the Committee to preserve his father's most significant legacy to the American people.

As you may know, Mr. Chairman, I have devoted thirty-nine years to working for the Social Security and Medicare system in both Republican and Democratic administrations. During that time I was one of the first ten Regional Medicare Administrators and was the acting Social Security Commissioner for three years. This past April, I was honored to assume the role of President of the National Committee to Preserve Social Security and Medicare.

Mr. Chairman, I am aware of past criticism of our organization and indeed there may have been misunderstandings concerning some of our communications. Growing an organization from a concept into a 5 million strong membership is difficult and there will be mistakes. However, since I took over I believe our programs have, and will continue to safeguard against even perceived misrepresentations.

The National Committee has been in the forefront of efforts to protect the integrity of the Social Security and Medicare systems. My new position enables me to translate my experience in government to grassroots action on behalf of older Americans.

We understand that both the House and the Senate Governmental Affairs Committees are working on Deceptive Mailings Prevention legislation. The National Committee has applauded these past legislative efforts. The National Committee has conscientiously complied with requirements incorporated in past legislation. As long as an organization is serving its members, such requirements will have no adverse impact.

Now the charge has been made, Mr. Chairman, that some of our educational mailings to the membership have been misleading and they may undercut the confidence Americans have in the Social Security system.

Mr. Chairman, it is not our educational materials that erode people's confidence in the Social Security system. The elimination of student benefits, taxing of social security benefits, and now the use of the trust to hide the government's budget deficits; these are the things that erode confidence in the system.

It is this continual tinkering with the system that has concerned the American people and made the recent battle over catastrophic health care so important.

It was an Act that did not address seniors' major concerns. It duplicated some of those services seniors already had. And its financial structure violated the basic social insurance concept set down by the Congress 50 years ago.

We don't ask veterans to pay the entire cost for VA hospitals. We don't ask parents to pay the entire cost of our public school system. We don't ask farmers to bear the full burden of farm price supports. Nor should we. Yet this piece of legislation was financed by saddling only seniors with extra taxes.

From the beginning of consideration of this issue, our membership was concerned about the content of the legislation. Long before the Congress voted in 1988 for catastrophic coverage and long before Senate mail rooms were flooded with cards and letters, our Committee was opposing the bill and informing Congress that our membership would not support it. The legislation simply did not address their real concerns.

During the 100th Congress, the National Committee repeatedly sent letters to each Member of Congress outlining the problems we had with the legislation. We did urge support for the excellent bill crafted by the champion of the elderly, the late Representative Claude Pepper. Unfortunately, Senator Pepper's legislation did not prevail.

When the original bill was finally enacted, we continued to represent the views of our members. We used the most cost-effective method available to alert our five-million members. We used the mail. Nearly half of our membership responded. They wrote, called or visited their Representative and Senators to register their concerns. In the oldest American tradition, they petitioned their representatives.

Were the seniors and thousands who joined them wrong? Not in our opinion, nor in the opinion of the 360 Representatives who voted to repeal this law. And in the Senate, after consulting with their constituents, Senator John McCain and others have fashioned a compromise we support.

Now, Mr. Chairman, the charge has been made that we used "fear tactics" to encourage seniors to write their Members of Congress about the original legislation. This is absolutely false.

- Were seniors legitimately concerned about the provisions and financing of this law? Yes.
- Were they fearful of a financial structure that put the burden of paying for duplicative benefits on the backs of the elderly? The answer is yes.
- Did our Committee give the facts to our membership? Yes.
- And did they respond by writing letters to you and many on this Committee? Yes.

The National Committee has been unjustly criticized for helping to educate its members through the use of direct mail. In accusing the National Committee of misleading seniors in the debate over catastrophic coverage, certain critics have pointed to past headlines in some of our mailings. The fact is these headlines emphasized legitimate concerns of our members. One may disagree with a particular headline, but that is a matter of *opinion*, not one of deception.

From the beginning, we made every effort to let our members know what the benefit implications were and that the tax was placed on seniors only. We ran a chart in our membership newspaper which related the surtax impact to various income levels. We encourage our members to write if they felt concerned about the new law.

Mr. Chairman, I know you have always been a staunch supporter of Social Security and that your proposed legislation addresses many of our concerns. You are to be applauded for your support.

On behalf of the National Committee's membership, it is my hope to continue to work with you and your colleagues to improve and strengthen the Social Security and Medicare Programs for millions of Americans.

Thank you, Mr. Chairman.

Attachments.

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE,
Washington, DC, December 22, 1989.

Hon. DANIEL PATRICK MOYNIHAN,
U.S. Senate,
Washington, DC.

Re: National Committee to Preserve Social Security and Medicare

Dear Senator Moynihan: On November 20, 1989, I testified before the Senate Committee on Finance, Subcommittee on Social Security and Family Policy, on behalf of the National Committee to Preserve Social Security and Medicare ("National Committee"). At the hearing, I was invited to comment in writing on several questions. The questions relate to (a) the origins of the National Committee; (b) the circumstances under which the National Committee paid money for a canceled mailing relating to insurance; and (c) the current financial condition and expenditures of the National Committee. This letter addresses these questions.

Let me note at the outset that, although I appreciated the opportunity to discuss the National Committee with you and your Committee, I was concerned about the tone of the hearing and, in particular, some of the comments and questions posed by you and Senator Daschle. Many comments and questions seemed accusatory in tone and content;[1] they appeared to be based on the assumption, at least implicitly, that the National Committee is something other than a legitimate organization. Along with the other hard-working staff at the National Committee, I am deeply troubled by any such suggestion.

I have spent 39 years of my life devoted to issues relating to seniors and to Social Security and Medicare matters; the 59 people on the staff of the National Committee are similarly committed to strengthening and improving Social Security and Medicare, and to other senior issues as well. I first became involved as a consultant to the National Committee in 1987, when it was already five years old, after having served for three years as Acting Commissioner of Social Security. I became the National Committee's President in early 1989. I have committed myself to the National Committee because I believe it is an organization that is not only dedicated to important senior issues, but is also in a unique position to listen to senior citizens, to help to educate them, and to responsibly and effectively represent their views on legislative and other matters that are of such vital concern to all seniors.

It is with this understanding of the National Committee that I look forward to working with you and others in positions of leadership on these important issues. It is also with this understanding that I hope in this letter to answer the questions that were posed at the hearing.

1. *Origins of the National Committee.* I was asked specifically whether the National Committee was James Roosevelt's idea in the first instance, or whether it was the profit-motivated scheme of a direct mail vendor. I was not involved in the National Committee at that time, and so, of course, have no first-hand information about its origins. Since the question was posed, however, we have contacted Mr. Roosevelt, as well as others involved in the initial formation of the National Committee, including Mr. William Wewer, Mr. Arnold Forde, and Mr. William Butcher.

Based on these contacts, it is my understanding that it was James Roosevelt who first conceived the idea of a grassroots seniors organization dedicated to preserving Social Security. In the late 1970's, Mr. Roosevelt and his wife Mary had specific discussions about such a grassroots organization. Mr. Roosevelt was concerned about

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[1] One example which particularly concerned me is reflected on page 88 of the reporter's transcript of the hearing, wherein Senator Daschle commented: "I guess the question I have relating to the facts is whether you gave all the facts. That is the question. I have one of the mailings here." Displaying a mailing from the National Committee, and appearing to read therefrom, Senator Daschle continued: "In 1989, income tax for millions of seniors will increase $1600, $800 for singles. It is a tax on seniors only and it must be stopped."

The Senator then pointed out that not all seniors would have been subject to the tax, or to the maximum levels of taxation. This fact, however, was accurately conveyed in the National Committee mailing which Senator Daschle had displayed. (After the hearing, Senator Daschle's staff provided the enclosed reduced size photocopy of the mailing from which Senator Daschle appeared to read at the hearing.) The Senator's remarks suggested that the National Committee's statement was misleading. But the Senator misread the National Committee's statement. In fact, as shown on the enclosed copy of the mailing, the first sentence actually reads: "1989 income taxes for millions of seniors will increase *by up to* $1600 ($800 for singles)—It's a tax on seniors-only and it must be stopped!" (emphasis added).

The underlined words, "by up to," omitted by Senator Daschle, significantly qualify that sentence. Moreover, the mailing goes on to explain in somewhat greater detail how the tax would be calculated. Unfortunately, these aspects of the mailing, which appear to address Senator Daschle's concern, were not discussed.

threats to the existence of Social Security posed by inflation and other budget-related issues. He wanted to preserve what is perhaps his father's, and to be sure Frances Perkins', greatest legacy to this country. At the time of these discussions, however, Mr. Roosevelt, who had his own private consulting firm, possessed neither the resources nor the expertise to begin such a grassroots seniors organization.

In early 1982, Butcher-Forde Consulting ("BFC"), a partnership with expertise in direct mail, retained Mr. Roosevelt for advice relating to BFC's involvement in several local political matters in California. The principals of BFC were Mr. Arnold Forde and Mr. William Butcher. The consulting relationship between Mr. Roosevelt and BFC arose, not in connection with the formation of the National Committee, but prior to, and independent of, the formation of the National Committee.

It was in the course of this consulting relationship, in the summer of 1982, that Mr. Roosevelt discussed his idea of a grassroots organization with Mr. Butcher and Mr. Forde. Mr. Roosevelt had, through this relationship, come to appreciate BFC's knowledge and abilities regarding direct mail and he had become enthused about the possibility of actually beginning a grassroots organization dedicated to the preservation of Social Security and to other seniors' issues.

Whatever may have motivated Mr. Butcher and Mr. Forde, it was at all times Mr. Roosevelt's idea to form an effective, influential, non-profit, grassroots, seniors organization. Because Mr. Roosevelt had no resources or expertise in building a national membership organization, he turned to BFC, which was willing and able to become involved in the project. In the late summer of 1982, Mr. Roosevelt met and hired an attorney, Mr. William Wewer, based on the recommendation of BFC. Mr. Wewer assisted Mr. Roosevelt in connection with the formation of the National Committee. Mr. Wewer later served the National Committee as a member of the Board of Directors, an officer, and its general counsel.

The National Committee was incorporated in the District of Columbia on November 18, 1982, and was recognized by the Internal Revenue Service as a non-profit organization operating in accordance with § 501(c)(4) of the Internal Revenue Code. The original name of the National Committee was "National Committee to Preserve Social Security." Effective October 2, 1989, the organization's name was officially changed to the "National Committee to Preserve Social Security and Medicare.[2]

The first organizational meeting of the National Committee occurred on December 20, 1982. Mr. Roosevelt was chosen as Chairman of the Board of Directors, a position that he has maintained since that time. The other two members of the Board were Mr. Wewer and Mr. Wewer's law partner, Lloyd P. Goldenberg.

At the first organizational meeting, Mr. Roosevelt presented a proposed contract with BFC for the rendition of consulting, production, management, procurement and other necessary, related services in connection with the National Committee's public relations, direct mail, and media activities. This contract was accepted by the National Committee Board of Directors, and was accordingly signed by Mr. Roosevelt on December 21, 1982.[3]

In 1988, BFC sold its business, including its contract with the National Committee, to a newly formed company, National Direct Marketing Corp. ("NDMC"), owned principally by Mr. Miles Rubin.[4]

One provision of the contract between the National Committee and BFC (and BFC's successor, NDMC), permitted the direct mail vendor at its sole discretion to advance funds necessary to provide for the vendor's services (including subcontractors' services). The advances were to be repaid by the National Committee as soon as possible. This provision was necessary and appropriate because, at the time of its founding, the National Committee had no funds. The establishment of a grassroots organization that utilizes mail to recruit and communicate with members is an expensive process. BFC agreed to advance the necessary funds, and to seek repayment of these funds from the National Committee at a later time. In fact, through 1987, funds were advanced regularly by BFC, pursuant to this contractual provision, in order to enable the National Committee to finance major mailings.

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[2] In 1983, Mr. Roosevelt established a § 501(c)(3) organization with this name; it was to engage in scholarly research and education dealing with topics relating to Social Security and Medicare. The organization was never activated, however, and was formally dissolved in 1987.

[3] The contract initially called for payment to BFC of a 10 cent fee per mail piece, plus a commission on National Committee payments to subcontractors. Effective January 1, 1985, the per-piece mailing fee was reduced by mutual agreement to five cents.

[4] Many terms of the contract were renegotiated voluntarily by NDMC in 1988. The economic terms and expiration date of the contract remained the same, at NDMC's insistence. There were a number of other changes in the contract, however, all to the benefit and advantage of the National Committee membership.

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE,
Washington, DC, December 22, 1989.

Hon. DANIEL PATRICK MOYNIHAN,
U.S. Senate,
Washington, DC.

Re: National Committee to Preserve Social Security and Medicare

Dear Senator Moynihan: On November 20, 1989, I testified before the Senate Committee on Finance, Subcommittee on Social Security and Family Policy, on behalf of the National Committee to Preserve Social Security and Medicare ("National Committee"). At the hearing, I was invited to comment in writing on several questions. The questions relate to (a) the origins of the National Committee; (b) the circumstances under which the National Committee paid money for a canceled mailing relating to insurance; and (c) the current financial condition and expenditures of the National Committee. This letter addresses these questions.

Let me note at the outset that, although I appreciated the opportunity to discuss the National Committee with you and your Committee, I was concerned about the tone of the hearing and, in particular, some of the comments and questions posed by you and Senator Daschle. Many comments and questions seemed accusatory in tone and content;[1] they appeared to be based on the assumption, at least implicitly, that the National Committee is something other than a legitimate organization. Along with the other hard-working staff at the National Committee, I am deeply troubled by any such suggestion.

I have spent 39 years of my life devoted to issues relating to seniors and to Social Security and Medicare matters; the 59 people on the staff of the National Committee are similarly committed to strengthening and improving Social Security and Medicare, and to other senior issues as well. I first became involved as a consultant to the National Committee in 1987, when it was already five years old, after having served for three years as Acting Commissioner of Social Security. I became the National Committee's President in early 1989. I have committed myself to the National Committee because I believe it is an organization that is not only dedicated to important senior issues, but is also in a unique position to listen to senior citizens, to help to educate them, and to responsibly and effectively represent their views on legislative and other matters that are of such vital concern to all seniors.

It is with this understanding of the National Committee that I look forward to working with you and others in positions of leadership on these important issues. It is also with this understanding that I hope in this letter to answer the questions that were posed at the hearing.

1. *Origins of the National Committee.* I was asked specifically whether the National Committee was James Roosevelt's idea in the first instance, or whether it was the profit-motivated scheme of a direct mail vendor. I was not involved in the National Committee at that time, and so, of course, have no first-hand information about its origins. Since the question was posed, however, we have contacted Mr. Roosevelt, as well as others involved in the initial formation of the National Committee, including Mr. William Wewer, Mr. Arnold Forde, and Mr. William Butcher.

Based on these contacts, it is my understanding that it was James Roosevelt who first conceived the idea of a grassroots seniors organization dedicated to preserving Social Security. In the late 1970's, Mr. Roosevelt and his wife Mary had specific discussions about such a grassroots organization. Mr. Roosevelt was concerned about

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[1] One example which particularly concerned me is reflected on page 88 of the reporter's transcript of the hearing, wherein Senator Daschle commented: "I guess the question I have relating to the facts is whether you gave all the facts. That is the question. I have one of the mailings here." Displaying a mailing from the National Committee, and appearing to read therefrom, Senator Daschle continued: "In 1989, income tax for millions of seniors will increase $1600, $800 for singles. It is a tax on seniors only and it must be stopped."

The Senator then pointed out that not all seniors would have been subject to the tax, or to the maximum levels of taxation. This fact, however, was accurately conveyed in the National Committee mailing which Senator Daschle had displayed. (After the hearing, Senator Daschle's staff provided the enclosed reduced size photocopy of the mailing from which Senator Daschle appeared to read at the hearing.) The Senator's remarks suggested that the National Committee's statement was misleading. But the Senator misread the National Committee's statement. In fact, as shown on the enclosed copy of the mailing, the first sentence actually reads: "1989 income taxes for millions of seniors will increase *by up to* $1600 ($800 for singles)—It's a tax on seniors-only and it must be stopped!" (emphasis added).

The underlined words, "by up to," omitted by Senator Daschle, significantly qualify that sentence. Moreover, the mailing goes on to explain in somewhat greater detail how the tax would be calculated. Unfortunately, these aspects of the mailing, which appear to address Senator Daschle's concern, were not discussed.

I have enclosed with this letter a copy of the first audited financial statement of the National Committee. While I am not now able to report the amount of money that was advanced under the contractual provision with BFC at any one time, there was a continuing balance that varied from time to time. When BFC sold its business to NDMC in 1988, independent auditors for both BFC and the National Committee conducted an audit of all past accounts and both the National Committee and BFC agreed upon an amount that the National Committee owed to BFC. This amount has been paid in full by the National Committee.

As the foregoing indicates, it is my understanding that Mr. Roosevelt first conceived the idea of the National Committee. In any event, the indisputable fact is that, from the beginning, Mr. Roosevelt devoted himself vigorously and wholeheartedly to the formation of an effective, legitimate, grassroots organization. Mr. Roosevelt established the purpose and parameters of the National Committee, and set its educational, social, and political agenda. It was Mr. Roosevelt and the National Committee who utilized the knowledge, talent, and resources of BFC—not the other way around. The National Committee is, and always has been, a legitimate, nonprofit organization dedicated to listening to seniors, helping to educate them, and attempting responsibly to represent their views on important legislative and other issues. The National Committee's relationship with its direct mail consultant, then BFC and now NDMC, is, and always has been, an arms-length relationship that is defined solely by a written contract.

2. *Canceled Mailing.* I was also asked at the hearing about the National Committee's payment for a canceled mailing relating to insurance. Again, this took place prior to my association with the National Committee. It is my understanding, however, that for a variety of reasons, the Board of Directors voted in October 1986 to terminate an agreement between the National Committee and an insurance company under which the National Committee sponsored the issuance of "Medigap" insurance policies to its members. There had been several complaints by members about the quality of service provided by the insurance plan. More importantly, although many other prominent senior citizens groups had sponsored and marketed insurance plans and other commercial goods and services, the Board determined that it was appropriate for a leading group such as the National Committee to eschew involvement in this sort of activity. The Board believed that terminating the insurance program would eliminate any misperception of the National Committee and would allow it to devote its energies to its primary mission—that of a grassroots senior citizens organization dedicated to educating its members and advocating their views.[5]

At the time of the Board action terminating the insurance program, the National Committee had already committed to a large mailing containing an insurance solicitation. These materials had already been printed and were scheduled for mailing later in the month. Indeed, by that time, the National Committee had incurred expenses in excess of one million dollars in computer work and printing for this mailing. After considering the cost and consequences of completing the mailing (including an additional $400,000 for postage), the Board believed it was in the National Committee's best interest, in terms of both its policies and finances, to cancel this mailing and accept the financial responsibility for the computer, printing, and direct mail vendor charges that had already been incurred. In taking this action, the Board instructed its counsel to negotiate with BFC to obtain an advance of the funds necessary to pay for these charges, or to reach an agreement with the computer and printing subcontractors to delay payment of this bill. A combination of these two approaches was effected; money for the charges incurred as a result of this canceled mailing was advanced by BFC, through a schedule of payments, and was later repaid in full by the National Committee.

3. *Current Financial Condition.* I was also asked at the hearing to report on the current financial condition of the National Committee and to identify, in particular, the ways in which the National Committee spent the money it received in the last fiscal year. In response to this question, I include with this letter a copy of the audited financial statement and the IRS Form 990 filed by the National Committee for its most recent fiscal year (which ended March 31, 1989). As you will see from the balance sheet on the audited financial statement, the National Committee's financial position improved during the year from that of a net deficit to that of a moderate positive net worth.

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[5] At the same time, the Board made provisions to protect those members who had already purchased such policies.

To further assist you, we have summarized in a table, also included with this letter, the information that is reported on the National Committee's IRS Form 990 for the most recent fiscal year. This table groups the National Committee's expenses into two categories: "cost of communications with members" and "operations costs." In each category we have then broken down the expenditures between various program components of the National Committee—education, advocacy, fundraising, and administration.

As you can see, the National Committee's receipts for the past fiscal year total $38,213,696. Of this amount, $29,252,952 was spent on communicating by mail to the National Committee's members and prospective members. It is important to emphasize that the bulk of these expenditures was for communications that were properly characterized as either educational or advocacy (that is, advocating a specific legislative position). A number of the National Committee's mailings contain no request for funds. None of the National Committee's mailings contain a request for funds; all letters containing a request for funds also serve important program interests of the organization, such as education, and may include advocative and administrative material as well. Indeed, in accordance with generally accepted accounting principles, only $4,038,069 of the money spent on mailing was allocated to fundraising.

In addition, although the bulk of the "cost of operations" was allocated to administration, virtually all of these costs of operations involved the National Committee's office and its staff of 59 people, all of whom devote their time to the program services of the National Committee, or to the administrative support of those services. I would also like to bring to your attention a few other points concerning the National Committee's financial reports, and the National Committee's overall financial operation:

—Since January 1989, the National Committee has had a Chief Financial Officer, Mr. Jeffrey Galginaitis, who came to us from Price Waterhouse. The National Committee has since brought all of its financial and accounting activities inhouse, and the accounting systems and procedures that Mr. Galginaitis has implemented have greatly improved, and will continue to improve, the financial information available to the National Committee. This improved financial information represents a significant step forward in the National Committee's ability to monitor its financial performance, and thus illustrates the National Committee's continual, vigorous commitment to utilize its members' contributions in the most efficient and effective manner possible.

—The financial results on the IRS Form 990 differ from the financial results on the audited financial statements because the tax return was prepared on a cash basis, and the audited financial statements were prepared on an accrual basis. The National Committee has historically prepared its tax return on a cash basis, in part because of the limitations of the accounting system in place. Beginning with the current fiscal year, the tax return will be prepared on an accrual basis.

—Printing costs were paid to approximately one dozen different printers, none of which, to the National Committee's knowledge, has a relationship with either BFC or NDMC, apart from the vendor-vendee relationship.

—Payments to BFC and NDMC for their services in the most recent fiscal year were approximately $5.4 million. This represents 14% of the National Committee's expenses, including additions to reserves. It should be noted that while a substantial part of NDMC's consulting assistance deals with communications with members that included a fundraising appeal, NDMC also assists the National Committee with its non-fundraising mailings. I therefore misspoke at the hearing when I said that the National Committee paid approximately $5.4 million to NDMC "for fundraising efforts." Only a portion of NDMC's fee can be said to have been paid in connection with fundraising.

—Most of the payments for the rental of mailing lists ($861 thousand) were paid to Focus Marketing, which is a division of NDMC. However, Focus Marketing is a broker of mailing lists, and it is the National Committee's understanding that most of these payments were, in turn, passed through to the outside owners of the lists.

I trust that this letter answers the questions posed by the Committee at the hearing on November 20, 1989. I want to emphasize that the National Committee wishes to cooperate fully with you and your Committee in providing information on our organization's activities. I firmly believe that the National Committee has an important, continuing role to play in the current debate on Social Security and Medicare issues. The National Committee has taken, and will continue to take, strong positions based on our members' interests in these matters. At the same time, we are interested in improving our relationship with you and other Members of Congress.

In that regard, I hope you will feel free to contact me with any additional questions you may have regarding our organization and the issues of interest to our members.

Sincerely,

MARTHA A. MCSTEEN, *President.*

Enclosures.

JAMES ROOSEVELT
United States Congressman (Retired)
Chairman, National Committee to
Preserve Social Security and Medicare
Washington, D.C.

MR. MANDUS B FRISTAD
RR 1 BOX 29
LETCHER, SD 57359

Enclosed find Certified Petition
Number80508497 M--4982986 SD01
Please check your Petition to be
certain that your Certification
Number is correct.

1989 INCOME TAXES FOR MILLIONS OF SENIORS WILL INCREASE BY UP TO $1,600.00 ($800.00 FOR SINGLES) — IT'S A TAX ON SENIORS-ONLY AND IT MUST BE STOPPED!

DEAR MR. FRISTAD:

A special tax on senior citizens! Have you ever heard of anything so outrageous in your life?

Well, believe me, you will know all about this unfair new tax increase by the time you complete your 1989 Federal Income Tax Return.

And if you pay more than $150.00 per year in federal income taxes, and you are age 65 or over, or eligible for Medicare, you'll be paying this new tax!

The new tax rate, which starts out at $22.50 for every $150.00 of taxes you owe, goes up 67% in 1990 with further increases each year thereafter.

There is a cap on the new tax but — you guessed it — the cap goes up each year as shown below:

	1989	1990	1991	1992	1993
Married Couples	$1600	$1700	$1800	$1900	$2100
Singles	$ 800	$ 850	$ 900	$ 950	$1050

After 1993, the cap will continue to go up TO REFLECT RISING PROGRAM COSTS. You can imagine what that means!

Why this horrendous new escalating tax on seniors 65 or over?

Because the Congress has placed the full cost of the terribly flawed Medicare "catastrophic" coverage program on our backs.

How can it be fair to put this open-ended burden on seniors-only at the time in their lives when they can least afford it?

Why, even the very wealthiest taxpayers in America — people earning more than $200,000 per year — had their tax rates reduced two years ago.

With all these new taxes you might think that the "catastrophic" care program would protect you and other seniors from most catastrophic costs.

It doesn't — not by a long shot!

In fact, it is very unlikely that you will receive any benefits from the hospital part of the program because it only covers HOSPITAL stays of over 60 days. ONLY 3% OF SENIORS EVER SPEND OVER 60 DAYS IN THE HOSPITAL!

Most seniors who have serious long-term illnesses like Alzheimer's don't spend long periods of time in the hospital. They need skilled nurses to help provide care at HOME.

But the new "catastrophic" care program provides only 80 hours of benefits for HOME CARE — ONLY 80 HOURS, and then not until next year.

If you don't think you should be singled out for a big tax increase to pay for a program which

(please turn page)

contains little or no benefits for you — we are in total agreement.

But, our agreeing is not enough!

We must convince our elected representatives in Washington to replace the senior citizen's tax increase with a financing plan that spreads the cost fairly among all Americans — just as seniors pay school taxes. . .

We must raise our millions of voices and petition our President and Congress to take these measures NOW.

We have been LEADING THE CHARGE on this important issue while many other seniors' organizations have tried to cover up the terrible flaws, the outrageous expense and the unfair financing of the "catastrophic care" program.

Our loyal Members have mailed 2,000,000 letters and post cards to Congress and hundreds of thousands of letters to the President urging reform of this ill-designed program!

All this hard work is paying off:

- Senator Lloyd Bentsen, Chairman of the powerful Senate Finance Committee, on April 24, 198[illegible] said, "The technicians made a mistake in the 'catastrophic' estimate and I believe it must be rectified."

- The influential Wall Street Journal recently said:

  "The National Committee to Preserve Social Security and Medicare, a group with 5.5 million members that has been leading efforts to revise the catastrophic-illness law, has a plan to halve the cost to seniors by requiring all workers to pay for catastrophic coverage, while adding some long-term care provisions. The group's pressure could force Congress to confront the long-term-care issue this year."

Unfortunately, the catastrophic tax is only one of many problems which threaten the health care and security of older Americans.

Never in the 54 years since my father, Franklin Delano Roosevelt, started the Social Security system have there been such threats to our Social Security and Medicare benefits as the decade of the '80's.

Just consider these facts:

1. November 22, 1988. George Bush received "some blunt advice from former President Gerald R. Ford and Jimmy Carter who urged him to 'face reality' by raising taxes, slowing annual Social Security increases and cutting spending...." From the Washington Post.

2. March 2, 1988, Alan Greenspan, Chairman of the Federal Reserve Board and often called the second most powerful man in the country, encouraged Congress to cut Social Security and Medicare in order to help balance the federal budget.

3. In January 1988, the Medicare Part B premium jumped 38.5% — nine times the increase in the 1988 COLA — and it went up another 28.6% this year — seven times the Social Security COLA increase for 1989!

4. There is still no law to prevent the Administration from using our Social Security Trust Funds to free up money for other government bills. They did it in 1985 and 75,000 National Committee Members demanded the Funds be restored with interest — they were. We are working to stop this forever — by law.

   The deficit problem is huge and the enemies of Social Security and Medicare will continue in their efforts to balance the federal budget at the expense of older Americans.

These misguided politicians, newspapers and corporate chiefs seem to believe that our country's financial problems can only be solved at the expense of Social Security and Medicare.

ALL OF US, RIGHT NOW, MUST JOIN TOGETHER TO SPEAK OUT IN DEFENSE OF SOCIAL SECURITY

(next page please)

(3)

AND MEDICARE.

I urge you to spend 45 seconds right now, to stop the unfair new tax on senior citizens only and to protect Social Security and Medicare. Here's how:

Sign and return the enclosed Certified Petition. It's addressed to your U.S. Senators and Congressman.

Our representatives in Congress will listen to us if we speak together.

We simply must not let the politicians break the solemn commitments to those who worked so hard and paid their fair share into Social Security and Medicare.

It will not happen if you join with me, and millions of other Americans — right now. We must take action by mounting a mass Petition drive and by forming a huge organization to protect Social Security and Medicare.

It is my goal to deliver more than 5,000,000 Petitions to the Congress of the United States this year alone.

These Petitions demand the preservation and improvement of Social Security and Medicare by keeping the solemn commitment they represent for our people.

Over 50 years ago, I was working for my father in the White House as Secretary to the President.

Then I served for 11 years as a Member of the United States Congress.

So I know, as well as anyone, how powerful is our Constitutional right "to Petition the government for a redress of grievances."

So please, right now, sign and mail me your Petition. It has never been so necessary, so urgent, that you take action. If you do not, then the benefit-cutters will speak for you.

At the same time, please consider joining the National Committee to Preserve Social Security and Medicare.

The National Committee is a nonprofit, tax-exempt organization, comprised solely of concerned Americans, like you, who have invested a small amount to help block those who would harm Social Security and Medicare. We have no source of income other than the Membership Dues and voluntary contributions of ordinary Americans who want our nation to keep its commitment to the Social Security and Medicare programs.

Every day our staff of 49 trained professionals works for us in Washington to defend and improve your benefits.

As a Member, your Annual Dues are only $10. If at any time during the course of your Membership you become unhappy with the National Committee, your Membership Dues will be refunded to you immediately — no questions asked.

And as a Member, your personal Membership Card which I've enclosed will be activated, and you will receive our regular newspaper, "Saving Social Security," which includes vital information on how your Senators and Congressman vote on Social Security and Medicare issues and on government actions, such as the proposals to hide the budget deficit through cuts in the COLA, or the fights to win fair protection of older Americans against the financial ruin of catastrophic illness.

Your "Saving Social Security" newspaper carries stories about Social Security, Medicare and other benefits for which you may qualify — such as the hospice and home health care benefits.

In addition, as a Member, you will be enrolled in our Legislative Alert Service which will immediately advise you of fast-breaking developments in Washington involving Social Security and Medicare benefits.

Our Legislative Alert Service works! We've already helped defeat numerous attempts to cut Social Security and Medicare benefits by flooding Congress with letters, post cards, mailgrams and petitions.

And, most importantly, you will be helping to make it possible to continue our work here in the

continue on...

(4)

Capital with many leaders in Congress to protect, defend and improve the Social Security and Medicare programs.

With your support, we will lobby Congress to stop the unfair tax increase which only burdens senior citizens, and to have all Americans pay their fair share for catastrophic health care.

Remember, my father founded Social Security 54 years ago. Now I need your help to protect Social Security and Medicare.

So, please act today. Sign and return to me your Petition to your U.S. Senators and your Congressman. These legislators may or may not agree with our program — so we must let them know where you stand:

SENATOR THOMAS A. DASCHLE
SENATOR LARRY PRESSLER
CONGRESSMAN TIM JOHNSON

And please join the National Committee to Preserve Social Security and Medicare at the same time — but in any case, please act today. I have enclosed a special return envelope to speed your reply.

Urgently awaiting your reply, I am,

Most sincerely yours,

James Roosevelt

James Roosevelt
United States Congressman, (Retired)
Chairman, National Committee
to Preserve Social Security
and Medicare

P.S. MR. FRISTAD:

Thousands of ordinary Americans, people like you, have invested $10 of their hard-earned money to send you the enclosed Petition. Naturally, they hope you will also join them as a Member in the movement to protect Social Security and Medicare and stop the unfair tax increase on senior citizens. So, please return your signed Petition to me. And, if yours is among the first 50 Membership Applications received from your state, you will receive free, the slim, desktop calculator pictured on the flap of the enclosed return envelope.

If you fail to at least return your Petition, the investment of so many Americans will go to waste. At the same time, I will be very disappointed if you don't join, because we must continue to collect Petitions and fund our work with Congress. So please, join your fellow Americans, as a Member, if you possibly can.

Thank you,
Jim

Prepared and mailed by the National Committee to Preserve Social Security, a nonprofit, tax-exempt organization, 2000 K St., N.W., Washington, D.C. 20006.

The National Committee is totally independent of Congress, every government agency, and all political parties.

Contributions or gifts to the National Committee are not tax deductible. You need make no special contributions other than annual dues.

The National Committee spends its budget in approximately the following way: legislative advocacy 36%, educational activities 25%, fund raising 13%, administration 26%. Detailed financial reports are available from the National Committee and the charitable solicitations department of most states.

Petition to the Congress of the United States

SENATOR THOMAS A. DASCHLE
SENATOR LARRY PRESSLER
CONGRESSMAN TIM JOHNSON

MR. MANDUS B FRISTAD
80508497 M--4982986 SD01

WHEREAS, tens of millions of Americans rely on Social Security and Medicare; and

WHEREAS, these Americans have paid into the Social Security System for many years; and

WHEREAS, there will be no end to attacks on Social Security until it is removed from the budget and political process; and

WHEREAS, adequate and affordable health care is not being provided under Medicare;

WHEREAS, the new tax on senior citizens passed by Congress as a method of financing the "catastrophic" care program is grossly unfair, and the program will provide few benefits to the vast majority of seniors,

NOW, **THEREFORE BE IT RESOLVED**, that I (we) demand that every commitment to Americans who qualify for Social Security and Medicare be kept; and

BE IT RESOLVED that the senior citizens' tax increase not be allowed to take effect this year as planned; and

BE IT FURTHER RESOLVED that fair Social Security benefits must be restored to all Americans born in the "Notch Years" after 1916, and

BE IT FINALLY RESOLVED that I (we) urge the Congress of the United States to take no action, such as limiting or abolishing annual COLAs or expanding taxation of Social Security benefits which would be destructive to the Social Security and Medicare benefits which have been promised to our people.

As further evidence of our determination to protect our vital Social Security and Medicare programs, I (we) have become Members of the National Committee to Preserve Social Security and Medicare.

PUSH OUT THE CALCULATOR TOKEN AND PASTE HERE.

MR. MANDUS B FRISTAD — Date

Date

The names of your Senators and Congressman appear on this Petition because it is directed to them for their consideration. No endorsement of the National Committee to Preserve Social Security and Medicare by these Members of Congress is intended or implied.

James Roosevelt, Chairman
National Committee to Preserve
Social Security and Medicare
2000 K St., N.W.
Washington, D.C. 20006

MR. MANDUS B FRISTAD
RR 1 BOX 29
LETCHER, SD 57359

Dear Chairman Roosevelt:

☐ Yes, I (we) want to join the National Committee to Preserve Social Security and Medicare. Please activate my Membership Card, and begin sending me my "Saving Social Security" newspaper and enroll me in the Legislative Alert Service.

☐ Enclosed is my check for: $10

Please make your check payable to NCPSSM (or National Committee to Preserve Social Security and Medicare).

☐ No, I (we) can't offer $10 to help protect Social Security and Medicare benefits, but I (we) have enclosed our Petition.

Return all your correspondence to me so that I can take a mountain of Petitions back to Congress this year.

Contributions or gifts to the National Committee are not tax deductible.

80508497 M--4982986 SD01

AMOUNT | CHECK # | DATE

Fold and tape on dotted line before mailing.

YOURS FREE!

If yours is among the first 50 membership applications received from your state, you will receive absolutely free, this easy-to-use desk top calculator.

DESK TOP CALCULATOR

This handsome, battery-operated, desk-size calculator is easier to use because its keys are bigger and its numbers are clearer. It adds, subtracts, multiplies, divides... even figures percentages and square roots.

You must act promptly.

CAREFULLY PUSH OUT THE TOK
MOISTEN AND AFFIX ON TH
MEMBERSHIP APPLICATION

Detach your Membership Card below and carry in your wallet or purse. Official Membership is valid when activated by returning your membership application and dues.

SOCIAL SECURITY AND MEDICARE

MR MANDUS B FRISTAD

NAME

80508-F17 — CARD NUMBER

SEPTEMBER 1, 1990 — EXPIRATION DATE

OFFICIALLY CERTIFIED MEMBER PERSONAL IDENTIFICATION CARD

Your National Committee calendar contains the names and addresses of your elected officials. Please use this for contact when important events in Washington happen concerning Social Security and Medicare.

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE

Congressional Contacts

SENATOR THOMAS A. DASCHLE
SENATOR LARRY PRESSLER
C/O U.S. SENATE OFFICE BUILDING
WASHINGTON, D.C. 20510
(202) 224-3121
CONGRESSMAN TIM JOHNSON
C/O U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515
(202) 224-3121

Fold and tear on dotted line before mailing

(Check all applicable boxes before mailing)

- [ ] Social Security and Medicare Petition Enclosed
- [ ] Membership Application Enclosed

PLACE STAMP HERE

NATIONAL COMMITTEE TO PRESERVE
SOCIAL SECURITY AND MEDICARE
2000 K Street, N.W., Dept. 1705
P.O. Box 37255
Washington, D.C. 20013-7255

PRICE WATERHOUSE,
Newport Beach, CA, August 8, 1985.

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY REPORT AND FINANCIAL STATEMENTS—DECEMBER 31, 1983

BOARD OF DIRECTORS,
National Committee to Preserve Social Security

In our opinion, the accompanying balance sheet (accrual basis) and the related statements of loss and fund deficit (accrual basis) and of changes in financial position (accrual basis) present fairly the financial position of the National Committee to Preserve Social Security at December 31, 1983, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have also examined the accompanying statement of assets and liabilities (cash basis) of the National Committee to Preserve Social Security as of December 31, 1983 and the related statement of revenue collected and expenses paid (cash basis) and change in fund balance for the year then ended. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1, the Committee's policy is to prepare its financial statements identified in the second paragraph of this report on the basis of cash receipts and disbursements; consequently certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements (cash basis) are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements (cash basis) referred to above present fairly the assets and liabilities arising from cash transactions of the National Committee to Preserve Social Security as of December 31, 1983, and the revenue collected and expenses paid during the year then ended, on the basis of accounting described in Note 1, consistently applied.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses (cash basis) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PRICE WATERHOUSE.

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY—BALANCE SHEET (ACCRUAL BASIS) AND STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS) AS OF DECEMBER 31, 1983

	Accrual Basis	Cash Basis
ASSETS		
Cash	$40,421	$40,421
LIABILITIES AND FUND BALANCE		
Payable to public relations firm (Notes 1 & 4)	$517,374	
Payable to direct mail firms	399,064	
Accounts payable	6,923	
Note payable (Note 3)	25,386	$25,386
Total liabilities	948,747	25,386
Fund balance (deficit)	(908,326)	15,035
	$ 40,421	$40,421

STATEMENT OF LOSS AND FUND DEFICIT (ACCRUAL BASIS) AND STATEMENT OF REVENUE COLLECTED AND EXPENSES PAID (CASH BASIS) AND CHANGE IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 1983

	Accrual Basis	Cash Basis
Revenue:		
Membership dues and public donations	$1,707,535	$1,707,535
Operation expenses:		
Direct mail costs	1,587,285	927,925
Postage	945,818	688,740
Professional fees	78,364	71,441
Other administrative costs	4,394	4,394
	2,615,861	1,692,500
Excess of revenues (expenses)	(908,326)	15,035
Fund balance at beginning of year	-0-	-0-
Fund balance (deficit) at end of year	$(908,326)	$15,035

STATEMENT OF CHANGES IN FINANCIAL POSITION (ACCRUAL BASIS) AND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CASH BASIS) FOR THE YEAR ENDED DECEMBER 31, 1983

	Accrual Basis	Cash Basis
Cash provided (used) by:		
Operations—		
Excess of revenues (expenses)	($908,326)	$15,035
Add (deduct) items not affecting cash in the period:		
Payable to public relations firm	517,374	
Payable to direct mail firms	399,064	
Accounts payable	6,923	
Notes payable	25,386	25,386
Cash at the end of year provided by operations	$40,421	$40,421

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY (A DISTRICT OF COLUMBIA NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1.—NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

The National Committee to Preserve Social Security (the Committee) is a tax exempt organization deriving its revenue Principally from annual membership dues. The Committee was Oganized to provide a system of support and education to heighten the public's awareness of the need for the continuation of America's Social Security program.

Significant accounting policies

Basis of accounting

The general accounting records of the Committee are maintained on the cash basis of accounting. Accrual adjustments necessary to conform to generally accepted accounting principles have been given effect in preparation of the financial statements—accrual basis. The Committee also prepares financial statements on the basis of cash receipts and disbursements; consequently certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. The financial statements—cash basis are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles,

The difference between net income accrual basis and net income—tax basis for the year ended December 31 1983 is as follows:

Loss—accrual basis	$(908,326)
Less—expenses accrued at yearend for:	
Public relations firm	517,374
Direct mail firms	399,064
Other accounts payable	6,923
Net income—cash basis	$15,035

Income taxes

The Internal Revenue Service has determined that the Committee qualifies for tax exempt status under Section 501(c)(4) of the Internal Revenue Code as a publicly supported organization, Accordingly, no provision for income taxes has been reflected in the financial statements.

Membership dues

Membership dues are recognized as revenue when received and are renewable on an annual basis.

NOTE 2.—RELATED PARTY TRANSACTIONS

During the year, certain officers provided legal, accounting and other administrative services to the Committee through businesses owned by these individuals.

The following summarizes, by area, fees paid to related parties.

	Accrual Basis	Cash Basis
Legal expenses	$66,970	$66,461
Accounting expenses	159,647	159,647
Other	8,237	1,830
	$234,854	$227,938

NOTE 3.—NOTE PAYABLE

The Committee has an unsecured note payable due its public relations consulting firm in the amount of $25,386. The loan is non-interest bearing, unsecured, and of indefinite term. Management intends to repay the entire amount when the Committee's working capital is considered sufficient to maintain operations which is expected to occur during 1984.

NOTE 4.—LONG TERM COMMITMENTS

The Committee has entered into a 19-year agreement with a public relations firm which will provide consulting, production management procurement, and other related services in connection with the Committee's public relations direct mailing, and media activities. Under the terms of the agreement, the Committee will pay a management fee of 17.5% of the value of services rendered by outside suppliers to the public relations firm for activities related to the Committee.

NOTE 5.—SUBSEQUENT EVENT

During the first quarter of 1984 the Committee collected sufficient membership dues to pay the liabilities accrued as of December 31, 1983.

SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

CASH BASIS

	Operation Expenses	
Program services:		
Education	$696,394	
Legislation	435,971	
Research	30,652	
		$1,163,017
Fund raising		411,728
General and administrative		117,755
Total operation expenses		$1,692,500

PRICE WATERHOUSE,
June 23, 1989.

BOARD OF DIRCTORS,
National Committee to Preserve Social Security
Report and Financial Statements, March 31, 1989 and 1988

REPORT OF INDEPENDENT ACCOUNTANTS

In our opinion, the accompanying balance sheets and the related statements of revenue, expenses and changes in fund balance and of cash flows present fairly, in all material respects, the financial position of the National Committee to Preserve Social Security at March 31, 1989 and 1988 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Organization's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE.

BALANCE SHEETS

	March 31,	
	1989	1988
ASSETS		
Cash	$3,899,634	$673,722
Accounts receivable	145,396	
Prepaid expenses	199,222	99,479
Total current assets	4,244,252	773,201
Receivable from related party	708,789	705,593
Fixed assets, net	327,367	305,332
Other assets	1,600	1,600
Total assets	$5,282,008	$1,785,726
LIABILITIES AND FUND BALANCE (DEFICIT)		
Payable to direct mail agency	$1,178,462	$1,272,144
Other accounts payable and accrued liabilities	2,182,344	1,380,375
Total current liabilities	3,360,806	2,652,519
Commitment		
Fund balance (deficit)	1,921,202	(866,793)
Total liabilities and fund balance	$5,282,008	$1,785,726

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE

	March 31,	
	1989	1988
Revenue:		
Membership dues and contributions	$38,655,741	$32,554,752
Advertising income	786,148	610,795
Investment income	96,309	64,074
Other income	28,514	30,170
Total revenue	39,566,712	33,259,791
Expenses:		
Program services:		
Education	8,880,880	7,583,375

	March 31, 1989	1988
Legislation	13,818,162	11,204,072
Total program services	22,699,042	18,787,447
Supporting services:		
Fund-raising	4,173,982	3,993,063
Professional services	782,409	903,178
Salaries, wages and benefits	526,309	368,618
Other administrative costs	8,596,975	9,020,552
Total supporting services	14,079,675	14,285,411
Total expenses	36,778,717	33,072,858
Excess of revenue over expenses	2,787,995	186,933
Fund deficit at beginning of period	(866,793)	(1,053,726)
Fund balance (deficit) at end of period	$1,921,202	$(866,793)

STATEMENTS OF CASH FLOWS

	Year Ended March 31, 1989	1988
Cash flows from operating activities:		
Excess of revenue over expenses	$2,787,995	$186,933
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation	83,133	56,441
Increase in accounts receivable	(49,113)	(195,664)
Increase in other assets	(199,222)	(232,
Decrease in payable to direct mail agency	(93,682)	(544,583)
Increase (decrease) in other accounts payable and accrued expenses	801,969	(358,337)
Decrease in refundable contributions		(83,701)
Net cash provided by (used in) operating activities	3,331,080	(939,143)
Cash flows from investing activities: Purchase of fixed assets	(105,168)	(197,391)
Cash flows from financing activities: Payment on long-term payable to direct mail agency		(734,700)
Net increase (decrease) in cash	3,225,912	(1,871,234)
Cash at beginning of year	673,722	2,544,956
Cash at end of year	$3,899,634	$673,722

NOTES TO FINANCIAL STATEMENTS

NOTE 1.—NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The National Committee to Preserve Social Security (the National Committee) is a District of Columbia non-profit corporation founded in 1982, deriving its revenue principally from membership dues and unrestricted contributions. The National Committee was organized to provide a system of support and education to heighten the public's awareness of proposed legislation and Federal Government activities which impact America's Social Security program.

Significant Accounting Policies

Basis of accounting

The financial statements are prepared on the accrual basis of accounting. Certain amounts from the prior year have been reclassified for comparative purses.

Allocation of direct mailing costs

The National Committee allocates the expenses incurred for direct mailing among education, legislation, fund-raising and administrative services based upon the percentage of material in each mailing related to the particular service as determined by content analysis.

Income taxes

The National Committee is exempt from Federal income tax under Section 501 (c)(4) of the Internal Revenue Code as a publicly supported organization. The revenue derived from the sale of advertising during the years ended March 31, 1989 and 1988, which is considered taxable as unrelated business income, was offset by related expenses incurred. Accordingly, no provision for income taxes has been reflected in the financial statements.

Fixed assets

Fixed assets are recorded at cost. Depreciation is provided using the straight-line method over an estimated useful life of seven years for furniture and five years for equipment, leasehold improvements and automobiles.

Statements of cash flows

In November, 1987 Statement of Financial Accounting Standards No. 95, Statement of Cash Flows, was issued. The Statement requires that a cash flow statement be presented in place of the statement of changes in financial position. The National Committee adopted this Statement in fiscal year 1989 and restated fiscal year 1988 for comparability.

NOTE 2.—FIXED ASSETS

Fixed assets consists of the following:

	March 31,	
	1989	1988
Furniture	$207,617	$195,230
Equipment	274,774	185,427
Automobile	12,039	12,039
Leasehold improvements	7,680	4,246
	502,110	396,942
Less accumulated depreciation	174,743	91,610
	$327,367	$305,332

NOTE 3.—RELATED PARTY TRANSACTIONS

The National Committee to Preserve Social Security Political Action Committee (the PAC) is a separate segregated fund of the National Committee which is administered by the National Committee directors and employees. The National Committee paid administrative expenses of $370,366 and $276,335 on behalf of the PAC in fiscal 1989 and 1988, respectively. Although the PAC is not required to reimburse the National Committee for these payments, its intention is to do so out of excess funds as approved by the PAC's Board of Directors. At March 31, 1989 and 1988, receivables of $708,789 and $705,593, respectively, were due from the PAC.

NOTE 4.—PAYABLE TO DIRECT MAIL AGENCY

During fiscal year 1987, costs of $979,600 were incurred related to a mailing which was planned but cancelled prior to mailing. In settlement of costs related to this matter incurred by the direct mail agency, the National Committee agreed to assume a promissory note obligation of the agency. Such note was paid in full during fiscal year 1989.

NOTE 5.—ALLOCATION OF JOINT COSTS

The National Committee has incurred certain costs for informational materials that included fund-raising appeals. These costs were allocated to the following programs and services:

	Year ended March 31,	
	1989	1988
Education	$6,547,213	$5,874,718
Legislation	10,780,165	7,832,182
Fund-raising	4,173,982	3,993,063
Other administrative costs	3,986,883	2,475,639

	Year ended March 31,	
	1989	1988
	$25,488,243	$20,175,602

NOTE 6.—COMMITMENT

The National Committee leases office space under an operating lease. The following is a schedule of future minimum rental payments.

Year ending March 31	
1990	$731,035
1991	731,035
1992	731,035
1993	767,941
1994	767,941
Thereafter	2,303,823
	$6,032,810

NOTE 7.—RETIREMENT PLAN

The National Committee has a noncontributory, defined contribution retirement plan which covers all employees meeting certain minimum employment requirements. Contributions to the plan, which are funded annually, are determined by the Board of Directors and are limited to a maximum of 5% of eligible employees' annual earnings. Pension expense was $31,805 and $9,604 in fiscal 1989 and 1988, respectively.

NOTE 8.—OTHER ADMINISTRATIVE COSTS

Other administrative costs include the costs of mailings allocated to administration, the costs of advertising in the National Committee's newspaper and the nonwage and salary related costs of the National Committee's Washington office. These costs are as follows for the year ended March 31, 1989:

Costs of mailings allocated to administration		$4,957,986
Costs of advertising		1,446,376
Washington operations costs:		
Public Affairs Department	$380,230	
Administration and Human Resources Department	457,899	
President's Office	103,728	
Member Relations/Grassroots Department	66,286	
Government Relations Department	31,493	
Policy and Research Department	15,304	
Board of Directors and Outside Treasurer	475,159	
Rent and other	662,514	
		2,192,613
Total other administrative costs		$8,596,975

NOTE 9.—SUBSEQUENT EVENT

Subsequent to year-end the Board of Directors voted to change the formal name of the organization to the National Committee to Preserve Social Security and Medicare.

Form **2758**
(Rev. October 1987)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File

U.S. Partnership, Fiduciary, and Certain Other Returns

► File a separate application for each return.

RECEIVED
INTERNAL REVENUE SERVICE
JUL 18 1989
PSC PHILA, PA
323

Please type or print. File the original and one copy by the due date for filing your return. (See Instructions on back.)	Name	Employer identification number
	National Committee to Preserve Social Security	52-1274534
	Number and street (or P.O. Box number if mail is not delivered to street address) c/o Joseph Ransom, CPA, 3151 Airway Ave., M-1	
	City or town, state, and ZIP code Costa Mesa, CA 92626	

Farmers' cooperative associations filing Form 990-C, corporate exempt organizations filing Form 990-T, funds filing Form 1120-ND, political or exempt organizations filing Form 1120-POL, or S corporations filing Form 1120S, use Form 7004.

1 An extension of time until February 15, 1990 is requested in which to file (check only one):

☒ Form 990	☒ Form 990-T (401(a) or 408(a) trust)	☐ Form 1041 (trust)	☐ Form 1065	☐ Form 3520-A	☐ Form 6069	
☐ Form 990-BL	☐ Form 990-T (trust other than above)	☐ Form 1041-A	☐ Form 1066	☐ Form 4720	☐ Form 8612	
☐ Form 990-PF	☐ Form 1041 (estate)	☐ Form 1041S	☐ Form 1120-ND (4951 taxes)	☐ Form 5227	☐ Form 8613	

If organization does not have an office or place of business in the United States, check this box . . . . . ► ☐

2 For calendar year 19 ____, or other tax year beginning 4-1-88, and ending 3-31-89

3 Has an extension of time to file been previously granted for this tax year? ☐ Yes ☐ No

4 State in detail why you need the extension. Additional time is required to allow outside accountant to gather data to file an accurate return.

5a If this form is for Form 990-BL, 990-PF, 990-T, 1041, 1066, 1120-ND, 4720, 6069, 8612, or 8613, enter the tentative tax. See the instructions . . . . . $ -0-

b If this form is for Form 990-PF, 990-T, or 1041, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. See the instructions . . . . . $

c Balance due (subtract line 5b from line 5a). Include your payment with this form, or deposit with FTD Coupon if required. (Exception: *If for an estate with a tax year beginning before January 1, 1987, enter at least ¼ of the amount on line 5a and pay with this form.*) See the instructions . . . . . $ -0-

Caution: *Interest will be charged on any tax not paid by the regular due date of the returns filed on forms listed above until the tax is paid.*

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.

Signature ► [signature] Date ► 7/11/89

File original and one copy. IRS will show below whether or not your application is approved and will return the copy.

Notice to Applicant—To Be Completed by IRS

☑ We HAVE approved your application. (Please attach this form to your return.)

☐ We HAVE NOT approved your application. (Please attach this form to your return.) However, because of your reasons stated above, we have granted a 10-day grace period from the date shown below or due date of your return, whichever is later. This 10-day grace period is considered to be a valid extension of time for purposes of elections otherwise required to be made on timely filed returns.

☐ We HAVE NOT approved your application. After considering your reasons stated above, we cannot grant your request for an extension of time to file. (We are not granting the 10-day grace period.)

☐ We cannot consider your application because it was filed after the due date of your return.

☐ Other

[signature] Director

Date

If the copy of this form is to be returned to an address other than that shown above, please enter the address where the copy should be sent.

Please Type or Print	Name
	Number and street (or P.O. Box number if mail is not delivered to street address)
	City or town, state, and ZIP code

NR

For Paperwork Reduction Act Notice, see back of form.

Form 2758 (Rev. 10-87)

☆ U.S. GOVERNMENT PRINTING OFFICE: 1987—181-310

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy state reporting requirements. See instruction D.

OMB No. 1545-0047

1988

For the calendar year 1988, or fiscal year beginning April 1, 1988, and ending March 31, 19 89

Use IRS label. Other-wise, please print or type.

Name of organization: National Committee to Preserve Social Security

Address (number and street): 2000 K ST., N.W., 8th Floor

City or town, state, and ZIP code: Washington, D.C. 20006

A Employer identification number (see instruction L): 52 1274534

B State registration number (see instruction D)

C Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here ▶ ☐ (see instruction C10)

D Check type of organization—Exempt under section ▶ ☒ 501(c)(4) (insert number), OR ▶ ☐ section 4947(a)(1) trust

Check here if application for exemption is pending . . ▶ ☐

E Accounting method: ☒ Cash ☐ Accrual ☐ Other (specify) ▶

F Is this a group return (see instruction J) filed for affiliates? . . . . ☐ Yes ☒ No

If "Yes," enter the number of affiliates for which this return is filed ____

Is this a separate return filed by a group affiliate? . . . . . ☐ Yes ☒ No

G If "Yes" to either, give four-digit group exemption number (GEN) ▶

H ☐ Check here if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS, but should file a return without financial data. If you were mailed a Form 990 Package (see instruction A), some states may require a completed return.

I ☐ Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts I (except lines 13-15), III, IV, VI, and VII and only the indicated items in Parts II and V (see instruction I). If line 12 is more than $25,000, complete the entire return.

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Support, Revenue, and Expenses and Changes in Fund Balances

		(A) Total	These columns are optional—see instructions (B) Unrestricted/ Expendable	(C) Restricted/ Nonexpendable
Support and Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Direct public support			
	b Indirect public support			
	c Government grants			
	d Total (add lines 1a through 1c) (attach schedule—see instructions)			
	2 Program service revenue (from Part IV, line f)	38,657,212		
	3 Membership dues and assessments	96,309		
	4 Interest on savings and temporary cash investments			
	5 Dividends and interest from securities			
	6a Gross rents			
	b Minus: rental expenses			
	c Net rental income (loss)			
	7 Other investment income (Describe ▶)			
	8 Securities / Other			
	a Gross amount from sale of assets other than inventory			
	b Minus: cost or other basis and sales expenses			
	c Gain (loss) (attach schedule)			
	9 Special fundraising events and activities (attach schedule—see instructions):			
	a Gross revenue (not including $ ____ of contributions reported on line 1a)			
	b Minus: direct expenses			
	c Net income (line 9a minus line 9b)			
	10a Gross sales minus returns and allowances: 879,562			
	b Minus: cost of goods sold (attach schedule): 1,419,387			
	c Gross profit (loss)	(539,825)		
	11 Other revenue (from Part IV, line g)			
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8c, 9c, 10c, and 11)	38,213,696		
Expenses	13 Program services (from line 44, column (B)) (see instructions)	21,253,310		
	14 Management and general (from line 44, column (C)) (see instructions)	9,664,696		
	15 Fundraising (from line 44, column (D)) (see instructions)	4,068,423		
	16 Payments to affiliates (attach schedule—see instructions)	0		
	17 Total expenses (add lines 16 and 44, column (A))	34,986,429		
Fund Balances	18 Excess (deficit) for the year (subtract line 17 from line 12)	3,227,267		
	19 Fund balances or net worth at beginning of year (from line 74, column (A))	1,681,528		
	20 Other changes in fund balances or net worth (attach explanation)			
	21 Fund balances or net worth at end of year (add lines 18, 19, and 20)	4,908,795		

Form 990 (1988) Page 2

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for most sections. 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions.)

Do not include amounts reported on lines 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Expenses	22 Grants and allocations (attach schedule)				
	23 Specific assistance to individuals				
	24 Benefits paid to or for members				
	25 Compensation of officers, directors, etc.	468,991	222,414	246,577	
	26 Other salaries and wages	1,850,931	1,406,594	444,337	
	27 Pension plan contributions	31,805		31,805	
	28 Other employee benefits	125,113	95,086	30,027	
	29 Payroll taxes	129,292	98,262	31,030	
	30 Professional fundraising fees				
	31 Accounting fees	230,957		230,957	
	32 Legal fees	485,435		485,435	
	33 Supplies	294,389		294,389	
	34 Telephone	42,093		42,093	
	35 Postage and shipping	5,766,605	3,720,287	1,263,413	782,905
	36 Occupancy	752,968		752,968	
	37 Equipment rental and maintenance	78,064		78,064	
	38 Printing and publications	20,185,511	13,240,712	4,158,397	2,786,402
	39 Travel	229,729		229,729	
	40 Conferences, conventions, and meetings	76,874	76,874		
	41 Interest	41,165		41,165	
	42 Depreciation, depletion, etc. (attach schedule)	83,133		83,133	
	43 Other expenses (itemize): a				
	b	4,113,374	2,393,081	1,221,177	499,116
	c				
	d				
	e				
	f				
	44 Total functional expenses (add lines 22 through 43) Organizations completing columns B-D, carry these totals to lines 13-15.	34,986,429	21,253,310	9,664,696	4,068,423

Part III Statement of Program Services Rendered

List each program service title on lines a through d; for each, identify the service output(s) or product(s), and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)

		Expenses (Optional for some organizations—see instructions.)
a	LEGISLATIVE ADVOCACY-The National Committee advocates specific positions on pending legislation affecting Social Security, Medicare, and other health care issues, and encourages members to communicate their views to Congress and to the Social Security Administration. The National Committee conducts its advocacy efforts through direct mail program, (Grants and allocations $) direct	12,799,759
b	Communication with congressmen, and communications with print and broadcast media.	
b	EDUCATION-The National Committee informs its members, through its direct mail program and membership newspaper, (Grants and allocations $)	
c	about pending legislation and Federal Government activities which impact member's Social Security and Medicare benefits. This education includes tracking of appropriate legislation through Congress, and reporting on individual congressmen's and senator's voting records on legislation affecting senior citizens. (Grants and allocations $)	8,453,551
d	(Grants and allocations $)	
e	Other program service activities (attach schedule) (Grants and allocations $)	
f	Total (add lines a through e) (should equal line 44, column (B))	21,253,310

Part IV Program Service Revenue and Other Revenue (State nature.)

	Program service revenue	Other revenue
a Fees from government agencies		
b		
c		
d		
e		
f Total program service revenue (enter here and on line 2)		
g Total other revenue (enter here and on line 11)		

Part V Balance Sheets If line 12 or Column (B) of line 59 is more than $25,000, complete the entire balance sheet. If line 12, Part I, and Column (B) of line 59 are $25,000 or less, you may complete only lines 59, 66, 74, and 75. See instructions.

Note: Columns (C) and (D) are optional. Columns (A) and (B) must be completed to the extent applicable. Where required, attached schedules should be for end-of-year amounts only.

		(A) Beginning of year	End of year (B) Total	(C) Unrestricted/ Expendable	(D) Restricted/ Nonexpendable
	Assets				
45	Cash—noninterest-bearing	689,420	3,862,831		
46	Savings and temporary cash investments				
47	Accounts receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
48	Pledges receivable ▶ _____ minus allowance for doubtful accounts ▶ _____				
49	Grants receivable				
50	Receivables due from officers, directors, trustees, and key employees (attach schedule)				
51	Other notes and loans receivable ▶ _____ minus allowance for doubtful accounts ▶ _____	688,423	716,997		
52	Inventories for sale or use				
53	Prepaid expenses and deferred charges				
54	Investments—securities (attach schedule)				
55	Investments—land, buildings, and equipment: basis ▶ _____ minus accumulated depreciation ▶ _____ (attach schedule)				
56	Investments—other (attach schedule)				
57	Land, buildings, and equipment: basis ▶ _____ minus accumulated depreciation ▶ _____ (attach schedule)	305,334	327,367		
58	Other assets ▶ _____	1,600	1,600		
59	Total assets (add lines 45 through 58)	1,684,777	4,908,795		
	Liabilities				
60	Accounts payable and accrued expenses	3,249			
61	Grants payable				
62	Support and revenue designated for future periods (attach schedule)				
63	Loans from officers, directors, trustees, and key employees (attach schedule)				
64	Mortgages and other notes payable (attach schedule)				
65	Other liabilities ▶ _____				
66	Total liabilities (add lines 60 through 65)	3,249	0		
	Fund Balances or Net Worth				
	Organizations that use fund accounting, check here ▶ ☐ and complete lines 67 through 70 and lines 74 and 75.				
67a	Current unrestricted fund				
b	Current restricted fund				
68	Land, buildings, and equipment fund				
69	Endowment fund				
70	Other funds (Describe ▶ _____)				
	Organizations that do not use fund accounting, check here ▶ ☐ and complete lines 71 through 75.				
71	Capital stock or trust principal				
72	Paid-in or capital surplus				
73	Retained earnings or accumulated income	1,681,528	4,908,795		
74	Total fund balances or net worth (see instructions)	1,681,528	4,908,795		
75	Total liabilities and fund balances/net worth (see instructions)	1,684,777	4,908,795		

Form 990 (1988) Page 4

Part VI List of Officers, Directors, and Trustees (List each one whether compensated or not. See instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter zero)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances
James Roosevelt 567 San Nocolas Drive,Newport Beach,CA	Chairman/ Director	97,500		40,288
Robert Coon,Jr. 65 Pondfield Rd Bronxville,N.Y.10708	Director/ Secretary	106,376		6,047
Bruce W. Sumner 315 Amethyst,Balboa Island,CA 92660	Vice Chairman/ Director	133,115		17,895
Dana Reed 3151 Airway Ave.,Costa Mesa,CA 92626	Treasurer	132,000		560
Martha McSteen 2000 K St.N.W.,Washington, D.C. 20006	Director	38,248		0

Part VII Other Information

		Yes	No
76	Has the organization engaged in any activities not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of the activities.		X
77	Have any changes been made in the organizing or governing documents, but not reported to IRS? If "Yes," attach a conformed copy of the changes.		X
78	*If the organization had income from business activities, such as those reported on lines 2, 9, and 10 (among others), but NOT reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T.*		
a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?	X	
b	If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year?	X	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See instructions.) If "Yes," attach a statement as described in the instructions.		X
80	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? (See instructions.) If "Yes," enter the name of the organization ► National Committee to Preserve Social Security - PAC and check whether it is ☒ exempt OR ☐ nonexempt.	X	
81 a	Enter amount of political expenditures, direct or indirect, as described in the instructions ►		
b	Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year?		X
82	Did your organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? If "Yes," you may indicate the value of these items here. Do not include this amount as support in Part I or as an expense in Part II. See instructions for reporting in Part III ►		X
83	*Section 501(c)(5) or (6) organizations.*—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums? (See instructions and Regulations section 1.162-20(c).) If "Yes," enter the total amount spent for this purpose		
84	*Section 501(c)(7) organizations.*—Enter: a Initiation fees and capital contributions included on line 12		
b	Gross receipts, included in line 12, for public use of club facilities (See instructions.)		
c	Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion? (See instructions.)		
85	*Section 501(c)(12) organizations.*—Enter amount of:		
a	Gross income received from members or shareholders		
b	Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them)		
86	*Public interest law firms.*—Attach information described in the instructions.		
87	List the states with which a copy of this return is filed ► See Stmt. 3		
88	During this tax year did you maintain any part of your accounting/tax records on a computerized system?		X
89	The books are in care of ► Joseph Ransom, CPA Telephone no. ► 714-546-1040 Located at ► 3151 Airway Ave., M-2 Costa Mesa, CA 92626		
90	*Section 4947(a)(1) trusts filing Form 990 in lieu of Form 1041.*—Enter the amount of tax-exempt interest received or accrued during the tax year ►		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer ► [signature] Date ► 10/2/89 Title ► Treasurer

Paid Preparer's Use Only

Preparer's signature ► [signature] Joseph Ransom Accountancy Corp. Date 9-20-89 Check if self-employed ►

Firm's name (or yours, if self-employed) and address ► 3151 Airway Ave., M-2 Costa Mesa, CA 92626 ZIP code

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY
WASHINGTON DC
51-1274534

999
3/31/89
STMT.1

	TOTAL	PROGRAM SERVICE	MAN.&GEN.	FUNDRAISING
LINE 43-OTHER EXPENSES				
CAGING	1,384,957	908,464	285,314	191,179
DATA PROCESSING	1,149,603	754,083	236,829	158,691
LIST RENTALS	861,290	564,984	177,434	118,892
DUES & SUBSCRIPTIONS	19,540		19,540	
ENTERTAINMENT	23,221		23,221	
INSURANCE	23,504		23,504	
BOOKKEEPING	62,109		62,109	
MANAGEMENT CONSULTING	30,861		30,861	
ADVERTISING	122,294		122,294	
BANK PROCESSING	219,893	144,239	45,300	30,354
TEMPORARY HELP	73,466		73,466	
TAXES & LICENSE	1,073		1,073	
LOBBYING FEES	2,759	2,759		
PROFESSIONAL DEVELOPMENT	14,470		14,470	
PRESS RELEASE	50,507		50,507	
CLIPPING SERVICE	10,252		10,252	
NORTH AMERICAN PRECIS	43,310		43,310	
LEGISLATE	18,572	18,572		
TRUCK COSTS	1,693		1,693	
	4,113,374	2,393,081	1,221,177	499,116

National Committee to Preserve Social Security
Washington, D.C.
52-1274534

990
3-31-89
Stmt. 3

Part VII - Line 87

Connecticut
Georgia
Hawaii
Illinois
Maryland
Minnesota
New Mexico
North Carolina
Ohio
Oklahoma
Pennsylvania
Rhode Island
Tennessee
Virginia
Washington
West Virginia
Wisconsin
Washington, D.C.

SUPPLEMENTAL DEPRECIATION

Name NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY

STATEMENT SD 55

Year 3-31-89

(If S/L Acrs Was Extended Also Elected, Enter Acrs Class (E.G. 3-5-10 Year Property))

SS # 52-1274534

Supplement to 990 Page 1 of 7

	No	CLASS	F/S	DESCRIPTION OF PROPERTY	Date Acquired	(Salvage) Cost or Other Basis (Less Land)	FEDERAL DEPRECIATION: Method*	Life in Years Or Rate	ADJ'S TO BASIS: Bonus/ Sec. 179	ADJ'S TO BASIS: ITC ADJ	Prior Depreciation	Current Year Deduction	STATE DEPRECIATION: Method*	Life in Years Or Rate	ADJ'S TO BASIS: Bonus Deprec.	ADJ'S TO BASIS: Salvage Value	Prior Depreciation	Current Year Deduction
1				F+F (W.W.)	6-85	49,270	9	S			27,592	9854						
2				F+F (AM. BUS. St.)	9-85	1228					676	246						
3				F+F (NBI)	285	3944					2169	789						
4				F+F (NBI)	12-85	1862					1023	372						
5				F+F (ABS)	3-86	1485					619	297						
6				F+F	3-86	1903					795	381						
7				F+F	1-86	1643					630	329						
8				EQUIP. (COMPUTER)	5-86	2190					667	438						
9				FURN. (A.B.S.)	7-86	2626					788	525						
10				FURN. (PARCELL)	7-86	2510					753	502						
11				EQUIP. (COMPUTER)	7-86	9922					2976	1984						
12				EQUIP. (COMPUTER)	8-86	3362					1008	672						
13				FURN. (A.B.S.)	8-86	2533					760	507						
14				EQUIP. (TELCOA)	10-86	9412					2823	1882						
15				FURN. (W. BELL)	10-86	148					45	30						
16				FURN. (A.B.S.)	10-86	567					170	113						
17				EQUIP. (NBI)	10-86	40,585					12177	8118						
18				EQUIP. (A.B.S.)	10-86	7427					2228	1485						
19				EQUIP. (TELCOA)	9-86	7460					2238	1492						
20				FURN. (A.B.S.)	11-86	6184	—	—			1855	1237						
						156,264						31,253						

* METHOD CODES

PRE-81 ACQUISITIONS	POST-80 ACQUISITIONS (ACRS Y R S MUST BE ENTERED)
1 STRAIGHT LINE 2 200% DECLINING BALANCE 3 150% DECLINING BALANCE 4 125% DECLINING BALANCE 5 SUM OF THE YEARS DIGIT 6 OTHER	7-ACRS PERCENTAGE-PERSONAL PROPERTY 8-ACRS PERCENTAGE-REAL PROPERTY 9-ACRS-STRAIGHT LINE 0-OTHER

FEDERAL RECOVERY PROPERTY TOTAL

FEDERAL NONRECOVERY PROPERTY TOTAL

STATE RECOVERY PROPERTY TOTAL

STATE NONRECOVERY PROPERTY TOTAL

SUPPLEMENTAL DEPRECIATION

Name NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY

SS # 52-1274534

STATEMENT SD 55

Year 3-31-89

If S/L Accs With Extended Lives Elected, Enter Accs Class (E.G. 3-3-10 Year Property)

Supplement to 990 Page 2 of 7

No	CLASS	F/S	DESCRIPTION OF PROPERTY	Date Acquired	(Salvage) Cost or Other Basis (Less Land)	FEDERAL DEPRECIATION						STATE DEPRECIATION					
						2ND-200	Life in Years Or Rate	ADJ'S TO BASIS Bonus/ Sec. 179	ADJ'S TO BASIS ITC ADJ	Prior Depreciation	Current Year Deduction	2ND-200	Life in Years Or Rate	ADJ'S TO BASIS Bonus Deprec.	ADJ'S TO BASIS Salvage Value	Prior Depreciation	Current Year Deduction
1			FURN. (A.B.S.)	12-86	543	9	5			163	109						
2			FURN. (A.B.S.)	12-86	2926					878	585						
3			EQUIP. (H+L)	12-86	2594					778	519						
4			FURN. (A.B.S.)	2-87	482					144	96						
5			EQUIP. (CTL)	3-87	535					161	107						
6			EQUIP. (C.C.P.)	6-86	8126					2438	1625						
7			EQUIP. (U.C.S.)	6-86	3239					972	648						
8			EQUIP. (TELCOA)	5-86	2903					870	680						
9			EQUIP. (TELCOA)	6-86	3251					975	650						
10			EQUIP. (TELCOA)	9-86	6660					1998	1332						
11			F&F (A.B.S.)	4-87	3286	9	7			235	469						
12			EQUIP. (COMPUTER)	4-87	14,985	9	5			1499	2997						
13			EQUIP. (COMPUTER)	5-87	193					19	39						
14			EQUIP. (COMPUTER)	6-87	18,294					1829	3659						
15			CAMERA/COMPUTER	6-87	1140					114	228						
16			EQUIP. / TELEPHONE	6-87	4314					431	862						
17			F&F	6-87	36,400	9	7			2600	5200						
18			XEROX MACHINE	7-87	1163	9	5			116	232						
19			EQUIP. - LISTENING DEVICE	8-87	1677	9	5			168	336						
20			F&F - LIA DESIGNS	8-87	44,000	9	7			3147	6286						
					156,711						26,559						

* METHOD CODES

PRE 81 ACQUISITIONS

1 = STRAIGHT LINE
2 = 200% DECLINING BALANCE
3 = 150% DECLINING BALANCE
4 = 125% DECLINING BALANCE
5 = SUM OF THE YEARS DIGIT
6 = OTHER

POST 80 ACQUISITIONS (ACRS ASSIGNMENTS ENTERED)

7 = ACRS PERCENTAGE - PERSONAL PROPERTY
8 = ACRS PERCENTAGE - REAL PROPERTY
9 = ACRS STRAIGHT LINE
0 = OTHER

FEDERAL RECOVERY PROPERTY TOTAL

FEDERAL NONRECOVERY PROPERTY TOTAL

STATE RECOVERY PROPERTY TOTAL

STATE NONRECOVERY PROPERTY TOTAL

SUPPLEMENTAL DEPRECIATION

Name NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY

STATEMENT SD 55

Year 3-31-89

If 5yr. Accs With Extended Lives Elected, Enter Accs Class (E.G. 3-5-10 Year Property)

SS # 52-1274534

Supplement to 990 Page 2 of 7

No.	CLASS	F/S	DESCRIPTION OF PROPERTY	Date Acquired	(Salvage) Cost or Other Basis (Less Land)	FEDERAL DEPRECIATION						STATE DEPRECIATION					
						Method Code	Life in Years Or Rate	ADJ'S TO BASIS: Bonus/ Sec. 179	ADJ'S TO BASIS: ITC ADJ	Prior Depreciation	Current Year Deduction	Method Code	Life in Years Or Rate	ADJ'S TO BASIS: Bonus Deprec.	ADJ'S TO BASIS: Salvage Value	Prior Depreciation	Current Year Deduction
1			EQUIP - MACINTOSH	8-87	2952	9	5			295	590						
2			F&F - ILIA DESIGNS	8-87	2300	9	7			164	329						
3			EQUIP - MACINTOSH	8-87	2115	9	5			212	424						
4			F&F - DESCO ASSOC.	9-87	21100	9	7			1507	3014						
5			EQUIP - COMPUTER	9-87	113	9	5			11	22						
6			F&F - ILIA DESIGNS	9-87	88	9	7			6	12						
7			EQUIP - COMPUTER	9-87	390	9	5			39	78						
8			EQUIP - TELEPHONE	9-87	4933	L	1			493	986						
9			EQUIP - COMPUTER	9-87	3932	L	—			393	786						
10			F&F - ILIA DESIGN	9-87	2912	9	7			208	416						
11			F&F - MAIL CART	10-87	150	9	7			11	22						
12			EQUIP - COMPUTER	11-87	767	9	5			77	154						
13			F&F - OFFICE SAFE	10-87	618	9	7			44	88						
14			F&F - MONITOR DESK	10-87	114	9	7			8	16						
15			EQUIP - COMPUTER	10-87	255	9	5			26	52						
16			EQUIP - TELEPHONE	12-87	517	1	1			52	104						
17			EQUIP - TELEPHONE	12-87	200	1	1			20	40						
18			EQUIP - VIDEO RECORDER	12-87	339	1	1			34	68						
19			EQUIP - COMPUTER	12-87	309	—	—			31	62						
20			F&F - 2 CHAIRS, 1 LAMP	12-87	129	9	7			9	18						
					44233						7281						
										FEDERAL RECOVERY PROPERTY TOTAL						STATE RECOVERY PROPERTY TOTAL	
										FEDERAL NONRECOVERY PROPERTY TOTAL						STATE NONRECOVERY PROPERTY TOTAL	

* METHOD CODES

PRE 81 ACQUISITIONS	POST 80 ACQUISITIONS (ACRS SYSTEM MUST BE ENTERED)
STRAIGHT LINE	7-ACRS PERCENTAGE-PERSONAL PROPERTY
125% DECLINING BALANCE	8-ACRS PERCENTAGE-REAL PROPERTY
150% DECLINING BALANCE	9-ACRS 37 RAIGHT LINE
SUM OF THE YEARS DIGIT	0-OTHER
OTHER	

90

SUPPLEMENTAL DEPRECIATION

Name NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY

SS # 52-1274534

STATEMENT SD 55

Year 3-31-89

If S/L Acrs With Extended Lives Elected, Enter Acrs Class (E.G. 3-5-10 Year Property)

Supplement to 990 Page 4 of 7

NO.	CLASS	F/S	DESCRIPTION OF PROPERTY	Date Acquired	(Salvage) Cost or Other Basis (Less Land)	FEDERAL DEPRECIATION						STATE DEPRECIATION					
						Method Code	Life in Years Or Rate	ADJ'S TO BASIS: Bonus/ Sec. 179	ADJ'S TO BASIS: ITC ADJ	Prior Depreciation	Current Year Deduction	Method Code	Life in Years Or Rate	ADJ'S TO BASIS: Bonus Depres.	ADJ'S TO BASIS: Salvage Value	Prior Depreciation	Current Year Deduction
1			F+F - FORMSTACKER	12-87	440	9	7			44	88						
2			EQUIP. - COMPUTER	1-87	16,400	9	5			1640	3280						
3			EQUIP - COMPUTER	1-88	578	9	5			58	116						
4			F+F FORTIFIER	1-88	329	9	7			24	48						
5			EQUIP - COMPUTER	2-88	4500	9	5			450	900						
6			EQUIP - CAMERA	2-88	170	1	1			17	34						
7			EQUIP - TELEPHONE	2-88	562	—	—			56	112						
8			F+F - MAIL CARTS (2)	3-88	292	9	7			21	42						
9			F+F. SHELVES	4-88	285	9	7			—	20						
10			EQUIP. - COMPUTERS	4-88	19362	9	5			—	1936						
11			EQUIP. - "	6-88	850	9	5			—	85						
12			EQUIP. - "	6-88	16,935	9	5			—	1694						
13			TELEPHONE	7-88	450	9	5			—	45						
14			TELEPHONE	7-88	869	9	5			—	87						
15			"	7-88	427	9	5			—	43						
16			WOOD PLATFORM	7-88	256	9	7			—	18						
17			TOTE	7-88	224	9	7			—	16						
18			EQUIP. - COMPUTERS	8-88	1551	9	5			—	155						
19			EQUIP. - "	8-88	4892	1	1			—	489						
20			EQUIP - "	8-88	900	1	1			—	90						
					70,450						9298						

* METHOD CODES

PRE 81 ACQUISITIONS	POST 80 ACQUISITIONS (ACRS=R3/ADJUST REENTERED)
1 STRAIGHT LINE	7 ACRS PERCENTAGE - PERSONAL PROPERTY
2 150% DECLINING BALANCE	8 ACRS PERCENTAGE - REAL PROPERTY
3 200% DECLINING BALANCE	9 ACRS STRAIGHT LINE
4 SUM OF THE YEARS DIGIT	0 OTHER
5 OTHER	

FEDERAL RECOVERY PROPERTY TOTAL		STATE RECOVERY PROPERTY TOTAL	
FEDERAL NONRECOVERY PROPERTY TOTAL		STATE NONRECOVERY PROPERTY TOTAL	

SUPPLEMENTAL DEPRECIATION

Name NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY

STATEMENT SD 55

Year 3-3-89
If 3/5, Acrs with Extended Class Elected, Enter Acrs Class (E.G. 3-5-10 Year Property)

SS # 52-1274534

Supplement to 990 Page 5 of 7

No.	CLASS	F/S	DESCRIPTION OF PROPERTY	Date Acquired	(Salvage) Cost or Other Basis (Less Land)	FEDERAL DEPRECIATION						STATE DEPRECIATION					
						Method*	Life in Years Or Rate	ADJ'S TO BASIS: Bonus/ Sec. 179	ADJ'S TO BASIS: ITC ADJ	Prior Depreciation	Current Year Deduction	Method*	Life in Years Or Rate	ADJ'S TO BASIS: Bonus Depres.	ADJ'S TO BASIS: Salvage Value	Prior Depreciation	Current Year Deduction
1			FER SOFTWARE	10-88	495	9	5			-0-	49						
2			F+F - EXEC. CHAIR.	2-89	365	9	7			-0-	26						
3			F+F - 3 FILING CABINETS	2-89	1313	9	7			-0-	94						
4			EQUIP. - COMPUTERS	2-89	22062	9	5			-0-	2206						
5			EQUIP. - 4	2-89	7075	9	5			-0-	708						
6			F+F	2-89	1054	9	7			-0-	75						
7			F+F	2-89	365	1	1			-0-	26						
8			F+F	3-89	199					-0-	14						
9			EQUIP. - SOFTWARE	3-89	3180	9	5			-0-	318						
10			EQUIP. - COMPUTER	3-89	10297	9	5			-0-	1030						
11			F+F - FILES, BOOKCASE	3-89	8327	9	7			-0-	595						
12																	
13																	
14																	
15																	
16																	
17																	
18																	
19																	
20																	
					54732						5141						

* METHOD CODES

PRE 81 ACQUISITIONS
1 = STRAIGHT LINE
2 = 200% DECLINING BALANCE
3 = 150% DECLINING BALANCE
4 = SUM OF THE YEARS DIGIT
5 = OTHER

POST 80 ACQUISITIONS (ACRS/MS/RS JUST BE ENTERED)
7 = ACRS PERCENTAGE - PERSONAL PROPERTY
8 = ACRS PERCENTAGE - REAL PROPERTY
9 = ACRS STRAIGHT LINE
0 = OTHER

FEDERAL RECOVERY PROPERTY TOTAL	
FEDERAL NONRECOVERY PROPERTY TOTAL	
STATE RECOVERY PROPERTY TOTAL	
STATE NONRECOVERY PROPERTY TOTAL	

SUPPLEMENTAL DEPRECIATION

Year 3-31-89

If S/L Accs With Extended Lives Elected, Enter Accs Class (E.G. 3-5-10 Year Property)

Name NATIONAL COMMITTEE TO PRESERVE SOC. SECURITY

SS # 52-1274534

Supplement to 990 Page 6 of 7

STATEMENT SD 55

	No.	CLASS	F/S	DESCRIPTION OF PROPERTY L/H IMP.	Date Acquired	(Salvage) Cost or Other Basis (Less Land)	FEDERAL DEPRECIATION: Method	Life In Years Or Rate	ADJ'S TO BASIS: Bonus/ Sec. 179	ADJ'S TO BASIS: ITC ADJ	Prior Depreciation	Current Year Deduction	STATE DEPRECIATION: Method	Life In Years Or Rate	ADJ'S TO BASIS: Bonus Deprec.	ADJ'S TO BASIS: Salvage Value	Prior Depreciation	Current Year Deduction
1				SINK INTERCEPTOR	2-88	4246	9	S			425	850						
2				HALL SIGNS	6-88	374					↓	37						
3				SHELVING	6-88	570					↓	57						
4				CARPETING	7-88	558					↓	56						
5				SIGNS	8-88	103	—	—			↓	10						
6				NAMEPLATES	4-88	1828	9	S			↓	183						
7																		
8																		
9																		
10																		
11																		
12																		
13																		
14																		
15																		
16																		
17																		
18																		
19																		
20																		
						7679						1193						

* METHOD CODES

PRE '81 ACQUISITIONS	POST 80 ACQUISITIONS (ACHS YRS MUST BE ENTERED)
1-STRAIGHT LINE 2-200% DECLINING BALANCE 3-150% DECLINING BALANCE 4-125% DECLINING BALANCE 5-SUM OF THE YEARS-DIGIT 6-OTHER	7-ACRS PERCENTAGE-PERSONAL PROPERTY 8-ACRS PERCENTAGE-REAL PROPERTY 9-ACRS-STRAIGHT LINE 0-OTHER

FEDERAL RECOVERY PROPERTY TOTAL		STATE RECOVERY PROPERTY TOTAL	
FEDERAL NONRECOVERY PROPERTY TOTAL		STATE NONRECOVERY PROPERTY TOTAL	

93

SUPPLEMENTAL DEPRECIATION

Name NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY

STATEMENT SD 55

Year 3-31-89

If S/L Acrs With Extended Lives Elected, Enter Acrs Class (E.G. 3-5-10 Year Property)

SS # 52-1274534

Supplement to 990 Page 7 of 7

No.	CLASS	F/S	DESCRIPTION OF PROPERTY	Date Acquired	(Salvage) Cost or Other Basis (Less Land)	FEDERAL DEPRECIATION: Method	Life in Years Or Rate	ADJ'S TO BASIS: Bonus/ Sec. 179	ADJ'S TO BASIS: ITC ADJ	Prior Depreciation	Current Year Deduction	STATE DEPRECIATION: Method	Life in Years Or Rate	ADJ'S TO BASIS: Bonus Deprec.	ADJ'S TO BASIS: Salvage Value	Prior Depreciation	Current Year Deduction
1			AUTOMOBILE	7-86	12039	9	5			3612	2408						
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9										Pg 1	31,253						
10										2	24,539						
11										3	7281						
12										4	9298						
13										5	5141						
14										6	1193						
15																	
16																	
17																	
18																	
19																	
20																	
											83,133						

FEDERAL RECOVERY PROPERTY TOTAL

FEDERAL NONRECOVERY PROPERTY TOTAL

STATE RECOVERY PROPERTY TOTAL

STATE NONRECOVERY PROPERTY TOTAL

* METHOD CODES

PRE '81 ACQUISITIONS	POST 80 ACQUISITIONS (ACRS YRS MUST BE ENTERED)
1-STRAIGHT LINE 2-200% DECLINING BALANCE 3-150% DECLINING BALANCE 4-125% DECLINING BALANCE 5-SUM OF THE YEARS-DIGIT 6-OTHER	7-ACRS PERCENTAGE-PERSONAL PROPERTY 8-ACRS PERCENTAGE-REAL PROPERTY 9-ACRS-STRAIGHT LINE 0-OTHER

Form **990-T**
Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return

(Under Section 511 of the Internal Revenue Code) For calendar year 1988 or other tax year beginning April 1, 1988, and ending March 31, 19 89

OMB No. 1545-0687

1988

Please Print or Type

Name of organization: National Committee to Preserve Social Security

Number and street (or P.O. box if mail is not delivered to street address): 2000 K Street, N.W., 8th Floor

City or town, state, and ZIP code: Washington, D.C. 20006

A Employer identification number (employees' trust see instruction for Block A): 52 1274534

B Enter unrelated business activity codes from the last page of the instructions: 7310 | 6355

C Check box if address changed . . . . . ▶ ☐

D Exempt under section ▶ ☒ 501(C) (4) OR ▶ ☐ 408(e)

E Check type of organization . . ▶ ☒ Corporation ☐ Trust ☐ Section 401(a) trust

F Group exemption number (see instructions for Block F) ▶

If the unrelated trade or business gross income is $10,000 or less, complete only page 1 and Part III on page 2, and sign the return. Complete all applicable parts of the form (except lines 1 through 4) if unrelated trade or business gross income is over $10,000.

Taxable Income

1	Unrelated trade or business gross income (state sources ▶)	1	
2	Deductions (including net operating loss) (complete Parts I and II instead of lines 1, 2, 3, and 4 if you have gross income over $10,000)	2	
3	Unrelated business taxable income before specific deduction (subtract line 2 from line 1)	3	
4	Specific deduction (see instructions)	4	
5	Unrelated business taxable income (Subtract line 4 from line 3 or enter amount from line 33, page 2. If line 4 is greater than line 3, enter the lesser of zero or line 3.)	5	(539,825)

Tax Computation

Organizations Taxable as Corporations (see instructions for tax computation)

6 Controlled group members (sections 1561 and 1563)—Check here: ☐ and:

a Enter your share of the $50,000 and $25,000 taxable income bracket amounts (in that order):
(i) $ (ii) $

b Enter your share of the additional 5% tax (not to exceed $11,750) $

7 Income tax (See instructions to figure the tax) — 7: 0

Trusts Taxable at Trust Rates (see instructions for tax computation)

8 Income tax on the amount on line 5. Use the tax rate schedules in the instructions — 8: 0

Total Income Tax

9a	Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116)	9a		
b	Other credits (see instructions)	9b		
c	General business credit.—Check if from ☐ Form 3800 ☐ Form 3468 ☐ Form 6478 ☐ Form 6765 ☐ Form 8586	9c		
d	Credit for prior year minimum tax (attach Form 8801)			9d
10	Total (add lines 9a through 9d)			10
11	Subtract line 10 from line 7 or line 8			11: 0
12	Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611			12
13a	Alternative minimum tax b Environmental tax			13c
14	Total Tax (add lines 11, 12, and 13c)			14: 0
15	Payments: a 1987 overpayment credited to 1988	15a		
b	1988 estimated tax payments	15b		
c	Subtotal (add lines 15a and 15b)	15c		
d	Tax deposited with Form 7004 or Form 2758	15d		
e	Foreign organizations—Tax paid or withheld at source (see instructions)	15e		
f	Other credits and payments (see instructions)	15f		
16	Total credits and payments (add lines 15c through 15f)			16
17	Enter any penalty for underpayment of estimated tax. Check ▶ ☐ if Form 2220 is attached			17
18	Tax Due—If the total of lines 14 and 17 is larger than line 16, enter amount owed ▶			18: 0
19	Overpayment—If line 16 is larger than the total of lines 14 and 17, enter amount overpaid ▶			19
20	Enter the amount of line 19 you want: Credited to 1989 estimated tax ▶ Refunded ▶			20

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer: [signature] Date: 10/2/89 Title: Treasurer

Paid Preparer's Use Only

Preparer's signature: [signature] Date: 9-20-89 Check if self-employed ▶ ☐ Preparer's social security no.: 570 54 5091

Firm's name (or yours, if self-employed) and address: Joseph Ransom Accountancy Corp. 3151 Airway Ave M-2, Costa Mesa CA E.I. No. ▶ 95-3500434 ZIP code ▶ 92926

Form 990-T (1988) Page 2

Part I Unrelated Trade or Business Income

1a	Gross receipts or sales ..... b Less returns and allowances ..... Balance ▶	1c	17,008	
2	Cost of goods sold and/or operations (Schedule A)	2		
3	Gross profit (subtract line 2 from line 1c)	3		
4a	Capital gain net income (attach separate Schedule D) (see instructions)	4a		
b	Net gain (loss) from Part II, Form 4797 (attached)	4b		
c	Capital loss deduction for trusts	4c		
5	Income (loss) from partnerships (attach statement)	5		
6	Rent income (Schedule C)	6		
7	Unrelated debt-financed income (Schedule E, line 2)	7		
8	Investment income of a section 501(c)(7), (9), (17), or (20) organization (Schedule F)	8		
9	Interest, annuities, royalties, and rents from controlled organizations (Schedule G)	9		
10	Exploited exempt activity income (Schedule H)	10		
11	Advertising income (Schedule I, Part III, Column A)	11		
12	Other income (see instructions for line 12—attach schedule)	12		
13	TOTAL—Unrelated trade or business income (add lines 3 through 12)	13	17,008	

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.)
(Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule J)			14	
15	Salaries and wages			15	
16	Repairs (see instructions)			16	
17	Bad debts (see instructions)			17	
18	Interest (attach schedule)			18	
19	Taxes			19	
20	Contributions (see instructions)			20	
21	Depreciation (attach Form 4562)	21			
22	Less depreciation claimed in Schedule A and elsewhere on return	22a		22b	
23	Depletion			23	
24a	Contributions to deferred compensation plans (see instructions)			24a	
b	Employee benefit programs (see instructions)			24b	
25	Other deductions (attach schedule)			25	
26	TOTAL DEDUCTIONS (add lines 14 through 25)			26	0
27	Unrelated business taxable income before allowable advertising loss (subtract line 26 from line 13)			27	17,008
28	Advertising loss (Schedule I, Part III, Column B)			28	(556,833)
29	Unrelated business taxable income before net operating loss deduction (subtract line 28 from line 27)			29	(539,825)
30	Net operating loss deduction (see instructions)			30	
31	Unrelated business taxable income before specific deduction (subtract line 30 from line 29)			31	(539,825)
32	Specific deduction (see instructions for line 4 of page 1)			32	
33	Unrelated business taxable income (subtract line 32 from line 31. If line 32 is greater than line 31, enter the lesser of zero or line 31.) Enter here and on page 1, line 5			33	(539,825)

SCHEDULE A—COST OF GOODS SOLD AND/OR OPERATIONS (see instructions for Part I, line 2)

Method of inventory valuation (specify) ▶

1	Inventory at beginning of year	1		6	Inventory at end of year	6	
2	Purchases	2		7	Cost of goods sold and/or operations. Subtract line 6 from line 5. (Enter here and on line 2, Part I.)	7	N/A
3	Cost of labor	3					
4a	Additional section 263A costs (attach schedule)	4a		8	Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?	Yes	No
b	Other costs (attach schedule)	4b					
5	TOTAL—Add lines 1 through 4b	5					

Part III Statements Regarding Certain Activities and Other Information

		Yes	No
1	At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See page 10 of the instructions for exceptions and filing requirements for TD F 90-22.1.)		X
	If "Yes," write in the name of the foreign country ▶		
2	Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you had any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		X
3	Enter the amount of tax-exempt interest received or accrued during the tax year ▶		

The books are in care of ▶ Joseph Ransom, CPA Telephone number ▶ (714) 546-1040
3151 Airway Ave., M-2
Costa Mesa

SCHEDULE C—RENT INCOME FROM REAL PROPERTY AND PERSONAL PROPERTY LEASED WITH REAL PROPERTY

(see Instructions for Part I, line 6)

1. Description of property	2. Rent received or accrued	3. Percentage of rent for personal property
		%
		%
		%
		%
		%

4. Complete for any item if the entry in column 3 is more than 50%, or if the rent is based on profit or income		5. Complete for any item if the entry in column 3 is more than 10% but not more than 50%		
(a) Deductions directly connected (Attach schedule)	(b) Income includible (Column 2 minus column 4(a))	(a) Gross income reportable (Column 2 × column 3)	(b) Deductions directly connected with personal property (Attach schedule)	(c) Income includible (Column 5(a) minus column 5(b))

Add columns 4(b) and 5(c) and enter total here and on line 6, Part I, page 2 . . . . . .

SCHEDULE E—UNRELATED DEBT-FINANCED INCOME (see Instructions for Part I, line 7)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight-line depreciation (Attach schedule)	(b) Other deductions (Attach schedule)
1			

4. Amount of average acquisition indebtedness on or allocable to debt-financed property (Attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (Attach schedule)	6. Percentage which col. 4 is of col. 5	7. Gross income reportable (Column 2 × column 6)	8. Allocable deductions (Column 6 × total of columns 3(a) and 3(b))	9. Net income (loss) includible (Column 7 minus column 8)
		%			
		%			
		%			
		%			

2 Total (enter here and on line 7, Part I, page 2) . . . . . .

3 Total dividends-received deductions included in column 8 . . . . . .

SCHEDULE F—INVESTMENT INCOME OF A SECTION 501(c)(7), (9), (17), OR (20) ORGANIZATION

(see Instructions for Part I, line 8)

1. Description	2. Amount	3. Deductions directly connected (Attach schedule)	4. Net investment income (Column 2 minus column 3)	5. Set-asides (Attach schedule)	6. Balance of investment income (Column 4 minus column 5)

Total (enter here and on line 8, Part I, page 2) . . . . . .

SCHEDULE G—INCOME (ANNUITIES, INTEREST, RENTS AND ROYALTIES) FROM CONTROLLED ORGANIZATIONS

(see Instructions for Part I, line 9)

1. Name and address of controlled organization(s)	2. Gross income from controlled organization(s)	3. Deductions of controlling organization directly connected with column 2 income (Attach schedule)	4. Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under sec. 501(a), or the amount in col. (a), whichever is more	(c) Percentage which col. (a) is of col. (b)
					%
					%
					%

5. Nonexempt controlled organizations			6. Gross income reportable (Column 2 × column 4(c) or column 5(c))	7. Allowable deductions (Column 3 × column 4(c) or column 5(c))	8. Net income includible (Column 6 minus column 7)
(a) Excess taxable income	(b) Taxable income, or amount in column (a), whichever is more	(c) Percentage which col. (a) is of col. (b)			
		%			
		%			
		%			

Total (enter here and on line 9, Part I, page 2) . . . . . .

SCHEDULE H—EXPLOITED EXEMPT ACTIVITY INCOME, OTHER THAN ADVERTISING INCOME

(see Instructions for Part I, line 10)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income from unrelated trade or business (Column 2 minus column 3)	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (Column 6 minus column 5, but not more than column 4)	8. Net income includible (Column 4 minus column 7)
Total (enter here and on line 10, Part I, page 2)							

SCHEDULE I—ADVERTISING INCOME AND ADVERTISING LOSS (see Instructions for Part I, line 11)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or loss (col. 2 minus col. 3). If loss, enter in col. B, Part III. Do not complete cols. 5, 6, and 7. If gain, complete cols. 5, 6, and 7.	5. Circulation income	6. Readership costs	7. If col. 5 exceeds col. 6, enter in col. A, Part III, the gain shown in col. 4. If col. 6 exceeds col. 5, subtract col. 6 plus col. 3 from col. 5 plus col. 2. Enter gain in col. A, Part III.
Saving Social Security	862,554	1,419,387				
Totals	862,554	1,419,387	(556,833)			

Part II Income From Periodicals Reported on a Separate Basis

Part III Column A—Advertising Income

(a) Enter "consolidated periodical" or names of nonconsolidated periodicals	(b) Enter total amount from column 4 or 7, Part I, and amounts listed in cols. 4 and 7, Part II
Enter total here and on line 11, Part I, page 2	

Part III Column B—Advertising Loss (556,833)

(a) Enter "consolidated periodical" or names of nonconsolidated periodicals	(b) Enter total amount from column 4, Part I, and amounts listed in column 4, Part II
Enter total here and on line 28, Part II, page 2	

SCHEDULE J—COMPENSATION OF OFFICERS, DIRECTORS, AND TRUSTEES

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
		%	
		%	
Total (enter here and on line 14, Part II, page 2)			

National Committee to Preserve Social Security
Washington, D.C.
52-1274534

990-T
3-31-89
Stmt.2

Part II	Line 30	Net Operating Loss:
	3-31-86	588,564
	3-31-87	1,028,524
	3-31-88	702,821
	3-31-89	539,825
Available	3-31-90	2,859,734

The organization elects under IRC Section 172 to carry over net operating losses to future years.

National Committee to Preserve
Social Security and Medicare

TABLE I

Summary of FY 1989 Receipts and Expenses

Source: FY 1989 Form 990

	Education	Legislative Advocacy	Fund-Raising	Administration	Total
TOTAL RECEIPTS					38,213,696
COSTS OF COMMUNICATIONS TO MEMBERS (see TABLE II for estimated costs by type of communication.)					
Printing and Publication	3,764,659	5,884,985	2,030,690	3,030,582	14,710,916
Fees to NDMC	1,389,337	2,171,837	749,421	1,118,427	5,429,022
Artwork prepared by NDMC	11,683	18,231	6,291	9,388	45,573
Postage	1,451,412	2,268,875	782,905	1,168,399	5,671,591
Caging	354,423	554,041	191,179	285,314	1,384,957
Data Processing	294,194	459,889	158,691	236,829	1,149,603
List Rentals	220,412	344,552	118,892	177,434	861,290
TOTAL COMMUNICATIONS COSTS	7,486,100	11,702,410	4,038,069	6,026,373	29,252,952
COSTS OF OPERATIONS					
Compensation to Officers, Directors, etc.	111,207	111,207		246,577	468,991
Other Salaries and Wages	703,297	703,297		444,337	1,850,931
Pension Plan Contribution				31,805	31,805
Other Employee Benefits	47,543	47,543		30,027	125,113
Payroll Taxes	49,131	49,131		31,030	129,292
Temporary Help				73,466	73,466
Accounting Fees				230,957	230,957
Bookkeeping				62,109	62,109
Legal Fees				485,435	485,435
Mgmt. Consulting				30,861	30,861
Supplies				294,389	294,389
Telephone				42,093	42,093
Shipping and Postage				95,014	95,014
Occupancy				752,968	752,968
Equipment & Maintenance				78,064	78,064
Travel to Senior Functions Throughout the U.S.				229,729	229,729
Local Travel to/from U.S. Congress Buildings		2,759			2,759
Conferences and Conventions		76,874			76,874
Interest				41,165	41,165
Depreciation				83,133	83,133
Dues & Subscriptions				19,540	19,540
Meetings with Other Educational/Advocacy Organizations				23,221	23,221
Insurance				23,504	23,504
Institutional Advertising and Advertising for Job Positions				122,294	122,294
Taxes & Licenses				1,073	1,073
Professional Development				14,470	14,470
Press Releases				50,507	50,507
Services to Monitor Congressional and Media Activities		18,572		53,562	72,134
Truck Maintenance				1,693	1,693
Bank Service Charges	56,273	87,966	30,354	45,300	219,893
TOTAL OPERATIONS COSTS	967,451	1,097,349	30,354	3,638,323	5,733,477
TOTAL COSTS	8,453,551	12,799,759	4,068,423	9,664,696	34,986,429
ADDITION TO RESERVE					3,227,267

JG, 12/21/90, 10:33 AM

SUBMITTED BY SENATOR DANIEL PATRICK MOYNIHAN

Citizens Against The Catastrophic Health Act Tax

C.A.T.C.H.A.
202 Lane Court
Sterling, VA 22170

Repeal the Act and replace it with a FAIR coverage program

CONGRESSMAN MARK D. SILJANDER

Former Member, Select Committee on Aging:
Subcommittee on Retirement, Income and Employment
United States House of Representatives

C.A.T.C.H.A.

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Howard Bridwell
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Michael Wayne Brown, MD
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Edna Wilson Hartmer
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Le Vonne D. Mulkowsky
Thomas Francis Murphy, MD
Anne R. Perkins
Robert Savage
Gertrude Schaffner
Richard Shaff
Walter A. Stevens
Charles Swintbill
Charles Weber
Mrs. Sidney Wetherill

partial listing

Titles for identification purposes only

Dear Mr.

Please sign the enclosed Petition for a FAIR Catastrophic Health Act.

Citizens Against The Catastrophic Health Act Tax (**CATCHA**) is conducting this national Petition Drive to repeal the up to $800 tax and the Catastrophic Health Act. We want Congress to replace it with a fair and honest coverage program for our nation's senior citizens.

- Congress calls it a "supplemental Medicare premium," but it's really a tax of up to $800 per person on seniors since everyone eligible for Medicare must pay it. Many seniors are already calling it the "Medicare Tax"...

- The Catastrophic Health Act **doesn't cover one cent of long term nursing home costs;** one of the most crippling costs facing the elderly.

- Yet America's senior citizens will pay up to $800 per year per person or $1,500 per couple. Next year this tax increases by 10%.

- Many people who pay the tax will receive NO benefits: Only 16% will be eligible for prescription drug benefits and only 7% will be eligible for certain other benefits.

If you think this bill is unfair, help us show Congress they cannot get away with this new tax. Help CATCHA flood Congress with petitions and letters demanding immediate repeal.

Public support for a repeal is building as people discover the details of this new tax. NOW is the time to protest the bill and CATCHA has organized this national petition drive so you can register your demand for immediate repeal of the Act and the Tax of up to $800 per person per year.

Our goal is to force a repeal of the bill by

Continued Over...

the end of this year, and we can do that if you and enough concerned people take a couple of minutes to help. Over the next few weeks and months we plan to bombard Congress with hundreds of thousands of protest letters and petitions.

As a first step **CATCHA** wants to deliver your signed petition to the Senate leaders from both parties. If enough people sign the petitions our lobbyist can arrive at the offices of these two influential Senators with hundreds of sacks of mail with millions of signed petitions.

The bottom line is this: Congress has passed a tax -- but they didn't give seniors the benefits so many need.

Which is why I need you to sign the enclosed petition to **Senate Majority Leader, George Mitchell and Senate Minority Leader, Robert Dole.**

The people at Citizens Against the Catastrophic Health Act have made it easy for you. All you need do is sign your petition and return it. **CATCHA** will do the rest; with enough help we can swamp Congress with our demands.

It is extremely important that you also help **CATCHA** with a contribution. We can enlist an army of 1,000,000 seniors and show Congress that we will not stand for this tax hike and that we demand fair Catastrophic coverage.

This will only happen if people give their financial help. Please try and make a contribution of $15, $25 or more when you return your petition. Your contribution will help CATCHA move forward and contact 8,000,000 seniors, taxpayers and retired people and ask them to join us in demanding that Congress pay attention to their needs.

Sincerely,

Mark D. Siljander
Former Member, Select Committee on Aging:
Subcomittee on Retirement, Income and Employment
Member of Congress
97th-99th Congress

P.S. You'll see CATCHA has a solid plan including this petition drive to 8,000,000 seniors and taxpayers by year-end.

This petition drive targets the Senate leaders from both parties. Help CATCHA swamp these key legislators with petitions. Petitions like this stopped the 50% Congressional pay raise, they can force a repeal of this tax. With your help we can build our army and keep the telephones on Capitol Hill ringing off the hook and bury the Congress with letters, telegrams and petitions. Please sign your petitions and make a contribution to help us keep the pressure on Congress for a repeal of the tax.

CONGRESSIONAL MAJORITY COMMITTEE
WASHINGTON, D.C. 20070-2040

Dear Friend,

Fraud. Deception. Lying. Extortion.

These are all crimes. Serious crimes.

If you or I committed any of these crimes, we would be arrested, prosecuted, convicted, and sent to prison.

But a large group of powerful people are committing all of these crimes right now -- and they're getting away with it!

In fact, there is absolutely no chance whatsoever that any of them will be arrested or even prosecuted.

I'm not talking about organized crime, international drug dealers, or insider trading on Wall Street.

I'm talking about the United States Congress!

That's right. What the liberals in Congress are doing right now with the Medicare Catastrophic Coverage Program is nothing less than an outright fraud!

And the victims of their outrageous crimes are -- as usual -- the American taxpayers, people like you and me.

Let me explain.

As you know, for the last several months the Congressional Majority Committee has been leading the attack on the latest massive liberal tax-and-spend scheme.

CMC's National Campaign to Repeal the Catastrophic Coverage Act has mobilized tens of thousands of American taxpayers to send postcards to Congressman Dan Rostenkowski, to call the White House, and to sign petitions to President Bush.

Needless to say, this tremendous public outcry against the Catastrophic Coverage Act's huge tax increase on America's senior citizens has caused more than a few waves on Capitol Hill.

Paid for by the Congressional Majority Committee.
Not authorized by any Candidate or Candidate's Committee.

As I'm sure you know, the one thing every Congressman and Senator really worries about is getting re-elected!

But at the same time, the liberals who control both houses of Congress are determined to do everything they can to hang onto their latest big government, tax-and-spend program.

So, in order to have their cake and eat it too, they've resorted to the outright deception and extortion of the American people!

Here's what's happened since I last wrote to you:

First, the Senate killed another attempt by Senator John McCain of Arizona to delay for one year the outrageous surtax seniors have been hit with -- a tax that pays for coverage most already have!

Just like before however, they refused to take a clear cut up-or-down vote. McCain's proposal was blocked on a procedural vote.

That way they can still claim they actually support the idea of delaying the surtax -- at the same time they voted against it!

But that's nothing compared to what the House Ways and Means Committee just did.

Chairman Dan Rostenkowski, whose first arrogant response was that senior citizens "are going to have to swallow and accept" the huge tax hike, apparently is beginning to feel the heat.

But as I said, he and his liberal cronies are ready to try anything rather than give up their favorite new tax-and-spend scheme.

So last month he orchestrated an amendment through his committee which was billed as a "major modification" of the Catastrophic Coverage Act designed to "solve the problem" of the surtax.

In reality, this amendment is nothing short of the deception and extortion of America's senior citizens!

First, it cuts the size of the tax increase in half.

And to hear the liberals talk about it, we're supposed to consider that a gift!

My response to Dan Rostenkowski and the liberals is the same as that of conservative Congressman Harris Fawell of Illinois:

"The problem with the surtax is its EXISTENCE, not the amount."

Second, and even more outrageous, the amendment allows seniors

to "opt-out" of the Catastrophic Coverage Program -- but to do so they must give up all of Medicare Part B.

In other words, if this passes, the only way out of the catastrophic surtax is to give up all coverage of doctor bills!

As Congressman Fawell said, "... seniors recognize this as no real choice. It is an offer most seniors can't accept and the sponsors know it. It is a cruel hoax which seniors recognize. By attaching the catastrophic package to Part B, the Ways and Means Committee admits the program cannot stand on its own merits."

Or to be more blunt, this amounts to the extortion of America's elderly by the U.S. Congress!

If this amendment is passed, Dan Rostenkowski and the liberals will claim they have "solved the problem" of the catastrophic surtax.

When in fact they will have made a bad situation worse.

To say nothing of having preserved their outrageous new big government tax-and-spend scheme.

This amendment is attached to a bill that will probably be voted on by the full House in mid-September.

That means the next two weeks are the most critical time yet for our National Campaign to Repeal the Catastrophic Coverage Act.

We must go all out to mobilize the opposition to this huge tax hike on America's senior citizens.

That means more letters, more postcards, more phone calls ... In short, maximum pressure on the liberals on Capitol Hill!

And it also means one more thing ...

Targeting for defeat the key liberal Congressmen and Senators who are behind this "cruel hoax" on America's elderly -- starting with Dan Rostenkowski himself!

But we can't do any of this without you.

Your support in the past has brought us this far. We are now at a "moment of truth".

I desperately need your help now to keep our campaign strong and meet this liberal threat head on.

Page Four

If you could possibly contribute $100, $250, or even $500 to CMC's National Campaign to Repeal the Catastrophic Coverage Act, it would go a very long way.

If that's too much, $50, $25, $15, or anything at all would still be a big help.

But please, send whatever you can today. Developments are happening fast and there is no time to lose!

Sincerely,

Ralph F. Galliano

Ralph Galliano
National Chairman

REPLY TO RALPH GALLIANO

Dear Ralph,

We can't let Dan Rostenkowski and the liberals in Congress get away with the outright fraud, deception, and extortion of America's senior citizens. The Catastrophic Coverage Act must be repealed now!

I'm returning this entire page to you right away with my maximum contribution to CMC's National Campaign to Repeal the Catastrophic Coverage Act:

( ) $1000 ( ) $500 ( ) $250 ( ) $100

( ) $50 ( ) $25 ( ) $15 ( ) $_____(other)

( ) Ralph, I am on a fixed income. I support your work and I am behind you 100%. I realize that every dollar helps. The most I can afford to contribute today is: $_____.

I've made my check payable to "CMC". I understand federal law requires you to ask the following:

Occupation_____ Employer_____

Corporate contributions can be accepted for this special project and should be made payable to "CMC State Fund". Contributions or gifts to CMC are not deductible as charitable contributions for federal income-tax purposes.

The National Tax Limitation Committee

Lewis K. Uhler
President

June 2, 1989

Dear Mr :

The catastrophic health surtax (the "Medicare Catastrophic Coverage Act," or MCCA) has created a firestorm of angry protest from concerned taxpayers across America.

One of our loyal NTLC members, Mrs. Julianna Meloche of Michigan, sent me a letter recently that moved me deeply. Mrs. Meloche authorized me to enclose a copy of her letter for you. Please take just a moment now and read it.

Frankly, I've deliberated long and hard as to whether NTLC ought to get involved in this particular fight. I'm persuaded now that we must, because so many of you have written us letters expressing concern similar to those of Mrs. Meloche.

It's clear that literally millions of American taxpayers are being victimized by a cruel and unfair tax that you and I should work together, through NTLC, to change.

That's why -- with your help -- we are making a special effort to reform the Medicare catastrophic tax. While the principle of taxing those who receive benefits is fair, the way this surtax is calculated is unfair.

We should not stand by when one group of taxpayers is treated unfairly -- especially many of our senicr taxpayers who have already "paid their dues" and whose life savings are now being threatened.

This year every senior who pays taxes will bear the surtax. By 1993 nearly 25% of senior taxpayers will bear the maximum surtax.

The simple fact is that the catastrophic surtax is an income redistribution scam that threatens many of our senior citizens, hitting hardest those who were the most conscientious about preparing for retirement.

If you agree with me that this tax must be reformed, then

201 Massachusetts Avenue, N.E.
Washington, D.C. 20002

I'd like to ask you to do two things today.

First, please sign the petition I've enclosed for you addressed to House Ways and Means Committee Chairman Dan Rostenkowski, urging him to hold hearings on the catastrophic surtax. The Senate is holding hearings, but we have to force the House to do so as well.

Second, please send back a special contribution along with your signed petition so that we can muster the forces necessary to force Congress to address this issue now.

We need to generate thousands of signed petitions over the next few weeks to make Congress realize the catastrophic surtax must be reformed. As Chairman of the House Ways and Means Committee, Congressman Rostenkowski is the member of Congress who needs to hear this message most forcefully. That's why our petitions are addressed, and will be delivered, to him.

This special project is costly and was not planned for in our budget this year. But I strongly believe we must raise the money we need to begin lobbying to reform the MCCA. It is an unfair tax and it must be changed!

When I receive your signed petition, I will make sure your petition is delivered to Rep. Rostenkowski, so he will get on with the hearings. And your generous contribution will enable us to contact more Americans and generate more pressure on Congress in the weeks ahead.

It's time we put our foot down against unfair taxes imposed on narrow groups, especially our senior citizens. Please help us in this fight by sending in your petition and your most generous contribution today.

Sincerely,

Lewis K. Uhler

Lewis K. Uhler
President

P.S. I feel terrible when I think about our friends like Mrs. Meloche, who are now being taxed so unfairly. Every day counts in this effort. Please send back your signed petition and your maximum contribution as soon as you possibly can.

A MESSAGE FROM...

Lewis K. Uhler

President
The National Tax Limitation Committee

Dear Mr. :

I believe that Congressman Tauke's bill, H.R. 1564, represents the best way to reform the Catastrophic Coverage tax that is so cruelly affecting millions of our Nation's seniors. That's why I told him taht the NTLC would do everything we could to help him pass H. R. 1564 through Congress this year.

I want to urge you to join me as a taxpayer "Co-Sponsor" of H.R. 1564 by signing the facsimile of the cover of the bill I've enclosed for you. Despite the growing opposition to this tax, there are still powerful forces, including some groups claiming to speak for American seniors, who are fighting any attempts to reform the Medicare Catastrophic Coverage Act. We must show the leadership of the House that the American people demand a change in this unfair tax.

I also urge you to commit yourself further to this fight by making a special contribution to NTLC, hopefully for as much as $25. As important as our efforts to reform the Catastrophic Coverage tax are, the fact is that we didn't anticipate becoming involved in this fight when we put together our budget for the year. That means that our resources right now are stretched to the limit.

In order for us to help Rep. Tauke and keep on track with our Tax Limitation/Balanced Budget Amendment, NTLC urgently needs to raise an additional $50,000 by September 1st. I deeply hope you can help us reach that goal.

Thank you again for your tremendous support of NTLC, Mr. .

Lew

201 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Congressman Tom Tauke
Washington, D.C.

Member of Congress
2nd District, Iowa

Tuesday

Dear Mr. :

I was really excited when Lew Uhler told me that the National Tax Limitation Committee wanted to enter the fight to reform the Medicare Catastrophic Coverage Act (MCCA)!

The fact that you agree with me that this Act, which started as a good health bill but has ended up a bad tax bill, needs to be overhauled is vitally important. Our seniors deserve sound health and retirement policy. With the MCCA, they get neither.

I voted against the Catastrophic Coverage Act in 1988. I was in a small minority then.

But the firestorm of protest against the MCCA that you and the NTLC have helped ignite now gives us a chance to redo the wrong Congress committed last year.

That's why Congressman Peter DeFazio of Oregon and I have introduced a bill, H.R. 1564, to repeal for one year the income tax surcharge that has been levied since January 1st.

If we're successful, our seniors will not be forced to pay the surcharge (which in 1989 amounts to a whopping 15 percent of their total income tax bill!) when they pay their 1989 income taxes.

Just as importantly, my bill will give Congress the time it needs to re-think and reform the MCCA!

Lew Uhler supports my bill and what it is trying to achieve. I hope you do, too.

If you want to help us pass H.R. 1564, there are two critically important things I would like to ask you to do today.

First, will you sign on with me as a NTLC Member Co-Sponsor of H.R. 1564? I've included with my letter a Co-Sponsor Resolution that I truly hope you will sign and send back to me, care of Lew at NTLC, no later than Labor Day, September 4th.

And second, will you back up your support of my bill with a generous financial contribution to NTLC?

I'll be frank with you. I'm counting on you and NTLC to help me move H.R. 1564 through Congress.

The first way is by having literally thousands of NTLC members, like you, sign on as Co-Sponsors of my bill, so that I can show my fellow members of Congress just how much public support there is for this urgently needed measure.

It is especially important for us to put maximum pressure on Lloyd Bentsen, Chairman of the Senate Finance Committee, and Dan Rostenkowski, Chairman of the House Ways and Means Committee, who are both strongly resisting any changes in this unfair tax bill.

And to make sure our seniors don't get stuck with a gigantic tax boost next year, we need to pass H.R. 1564 through Congress this fall. That's why I urge you to send back your Co-Sponsor Resolution by Labor Day.

Secondly, and just as importantly, I'm counting on NTLC to help do the intense personal and grass-roots lobbying down the road that will help us come up with a fairer way of funding Medicare benefits <u>after</u> we scrap the Catastrophic Care Tax.

Thanks in large part to the work of organizations like NTLC, I believe the time is now ripe to delay the Catastrophic Care Tax and begin reforming it radically.

But we still have much to do. I urgently need your help, through the NTLC, to make sure this unfair tax is not imposed on our seniors.

Thank you for your support of NTLC and this vitally important project.

Sincerely,

Tom Tauke

Congressman Tom Tauke

P.S. Please be sure to read Lew's note that I've enclosed with my letter. And please be sure to sign on as a NTLC Member Co-Sponsor of H.R. 1564 by Labor Day!

The National Tax Limitation Committee

REPLY *MEMO*

To: Congressman Tom Tauke
Lewis K. Uhler

From:

I agree with you—it's time for Congress to reform the Medicare Catastrophic Coverage Act. It's an unfair tax on our seniors, and I support your efforts to delay it for one year while opening a full-scale debate in Congress on developing a fair way to fund Medicare benefits.

That's why I've agreed to Co-Sponsor H.R. 1564. I've signed my Resolution Form and give you my permission to circulate it to as many Members of Congress as possible.

And I've also enclosed a contribution, payable to the National Tax Limitation Committee, in the amount marked below. I want to make sure that NTLC has the resources it needs to carry out a major lobbying effort for H.R. 1564 and also stay on track with building support for our Tax Limitation/Balanced Budget Amendment.

My contribution is for:

☐ $25 ☐ $37 ☐ $_____ other

0139914-29 9K16

Contributions or gifts to NTLC are not deductible as charitable contributions for federal income tax purposes.

P.O. Box 96457
Washington, D.C. 20090-6457

TO THE MEMBERS OF
THE UNITED STATES CONGRESS

I, the undersigned taxpayer, citizen and member of the National Tax Limitation Committee, hereby signify my support of H.R. 1564 and urge you to pass this urgently needed measure immediately.

_____

(Portions of pages 1 thru 3 of bill)

101ST CONGRESS
1ST SESSION

H. R. 1564

IN THE HOUSE OF REPRESENTATIVES

MARCH 22, 1989

Mr. DEFAZIO (for himself and Mr. TAUKE) introduced the following bill; which was referred jointly to the Committees on Ways and Means and Energy and Commerce

_____

A BILL

To amend title XVIII of the Social Security Act and other provisions of law to delay for one year the effective dates of the supplemental Medicare premium and additional benefits under part B of the Medicare Program, with the exception of the spousal impoverishment benefit.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That this Act may be cited as the "Medicare Catastrophic Coverage Revision Act of 1989".

28-713 0 - 90 - 6

SEC. 2. PURPOSES.

It is the purpose of this Act—

(1) to provide Medicare beneficiaries with protection from the financial ravages of an illness that results in a long-term hospitalization (provided for in the Medicare Catastrophic Coverage Act of 1988, already implemented);

(4) to delay, for a year, implementation of all other benefits provided for in the Medicare Catastrophic Coverage Act of 1988;

(5) to delay, for a year, implementation of the supplemental premium provided for in the Medicare Catastrophic Coverage Act of 1988;

(6) so Congress will be afforded the opportunity to review the portions of the Act which this legislation delays to determine whether it ought restructure the Act to deal with the concerns of our nation's seniors. Their concerns being that the Act includes some items which are seen by the seniors as not truly catastrophic-related, that the financing ought to be spread more generally across the senior population, and that the Act does not provide much in the way of protection from the financial ravages of an illness requiring long-term care services.

Due April 15, 1990:

Your New Tax Bill for up to $1,600 more than you're paying today.

(Sample Enclosed)

Dear Friend,

The Government of the United States has decided that you have not done enough for your country.

They have decided that older Americans owe more taxes than their younger counterparts.

You'll be seeing your "elderly surcharge" in April 1990.

This is no distant possibility -- no vague threat. This is Federal Law.

I've enclosed a sample of what your new tax form -- due April 15, 1990 -- might look like.

If you pay more than $150 per year in Federal taxes, and if you'll be 65 or older in 1989, its time to start saving.

Because you're going to be paying for the new Medicare Catastrophic Expansion Law.

That word "catastrophic" just about says it all for loyal Americans like you who have spent their lifetimes building this nation, paying their taxes, doing their duty. . .

. . . and now, after you've planned and saved for years for your retirement, the Congress has decided you should pick up the tab for increased medical costs!

Maybe you heard about this new Bill on T.V., or read about it in our newspaper. And maybe you weren't too concerned.

After all, the new law does improve some Medicare benefits. And nobody mentioned the words "tax increase" -- though you might have heard them say something about financing all this with a "supplemental premium."

"Supplemental premium" is Washington double-talk for "tax increase."

And this one is aimed squarely at you.

It is a tax on older Americans, pure and simple. And it will be due with your regular tax return in 1990.

Americans 65 and over who have more than a minimal income will pay anywhere from $160 to $1,696 in 1990 to pay for increased Medicare benefits.

Talk about discrimination!

Congress says older Americans should pay for the increased Medicare benefits, because we're the ones who use them.

But that's not quite the whole picture.

Disabled individuals of any age may qualify for Medicare. That means young folks who've been crippled by accidents. . . people with degenerative diseases like multiple sclerosis or Lou Gehrig's disease. . . people with AIDS.

That's several million people -- well under the age of 65 -- who get Medicare benefits. . . but will all Americans be required to pay these bills?

No, that privilege has been reserved for you and me.

And I'm fighting mad about it.

I say older Americans have spent a lifetime shouldering their burdens. We've gone off to war for our country. We've worked in the factories and on the farms. We've built businesses and we've raised and taught our children.

We've created the most prosperous, affluent nation on earth.

And now, after we've carefully planned our retirement -- and when many of us are just getting by on those dollars we so prudently saved -- we're being forced to foot the bill for younger people's health care!

Make no mistake about it. We haven't been given any choice in the matter.

Even if you wanted to turn down Medicare benefits so you could skip paying this new tax, you couldn't. You are required by law to pay the enormous price tag, not only for your fellow senior citizens, but for younger people as well.

My friend, ours is a generation that doesn't complain much. We try to do what's best for America without a whole lot of noise or fanfare. We don't expect special treatment, and we certainly haven't received it.

But I believe it is time we stood up for ourselves.

Because -- believe me -- nobody else is going to do it!

Even the so-called "friends" of senior citizens in Congress let this outrageous measure be passed!

Maybe they let certain special interest groups pull the wool over their eyes.

Or maybe they just weren't paying attention.

Whatever their reasons, they let this catastrophe of a Bill get passed into Law.

And the only chance we have of revising it is to build a loud and forceful coalition of Americans who say "No Way!" to the idea that -- just because we're 65 or over -- senior citizens alone should be surcharged for America's rising medical costs!

That is why I am writing to you today.

I am hoping you will not sit idly by while this outrage is perpetrated upon our generation. I know you're not the protesting type. I'm not either. But enough is enough.

Please join our -- National Association for Uniformed Services -- in an urgent national campaign to change the Medicare Catastrophic Expansion Law.

Here are the steps you can take -- if you want to avoid paying as much as $1,600 extra taxes on April 15, 1990:

1. I have enclosed three postcards for you to sign and send to your Congressman and your Senators. They make it very clear that you do not believe older Americans should be singled out to bear the burden of health care costs for all Americans.

2. Please review the enclosed Sample Tax Bill. See where you stand in relation to the new law. Will you have to pay $225, $680, $1,520 -- or $1,600? Decide if you believe you're being penalized for having an income above the poverty line -- and for your age.

Then make one more decision -- to support our Association's all-out effort to turn this law around with a national campaign contribution of $15.

If you can manage to send $20 or $25, so much the better. With your help, we can alert other Americans to this scandalous tax increase. . . work with government officials to turn it around. . . and let our legislators know in no uncertain terms that we won't stand for this miscarriage of justice!

Think of it this way: Your $15 contribution to our campaign may save you hundreds, even thousands of dollars in the future!

With your support, our Association can speak for you in Washington, protecting your interests. . . you might even say protecting the savings you've so cautiously built up so that you might enjoy some peace of mind in your retirement years.

I don't think that's too much to ask.

And neither do the 55,000 members of the National Association for Uniformed Services. . . who stand together to preserve the hard-earned rights and privileges of retired Americans like you!

NAUS started out as the voice of current and former members of the uniformed services, veterans, their families and survivors to fight for their hard earned entitlements. . . just the basic necessities of life our veterans have coming to them!

But today -- in the face of an emergency like the Medicare Catastrophic Expansion Law -- we are acting on behalf of all retired Americans. . . and I hope that will include you.

If you want to do something about the tax increase Congress has in store for you, act now. Send the postcards to your legislators. And join NAUS's campaign to reverse this unjust tax burden by sending your contribution of at least $15 today.

The 1989 tax year is right around the corner. We don't have long to fight this battle. Please, let me hear from you today.

Sincerely,

J.C. Pennington
Major General, U.S. Army (Retired)
Executive Vice President

P.S. Unless we do something to revise the Medicare Catastrophic Expansion Bill, a retired couple 65 or older in 2005 may face an extra tax burden of $8,000! And that's not a wild guess on my part -- that figure comes from estimates made by the U.S. Treasury! Take action today to prevent financial disaster tomorrow. Please return the enclosed Enrollment Form right away.

JAMES ROOSEVELT
United States Congressman (Retired)
Chairman, National Committee to
Preserve Social Security and Medicare
Washington, D.C.

Dear National Committee Member:

Thank you for renewing your Membership in the National Committee. Your gold-embossed, personal Membership Card is enclosed. Please carry it with pride.

Our efforts to preserve and protect our Social Security and Medicare benefits are greater than ever before -- so your continuing support is especially important to me.

As a Member, your views on the projects and activities of the National Committee are also very important to me.

That is why I have enclosed a special Members' Priority Survey which I hope you will complete and return to me today.

I need your survey immediately to help me determine which of our many important projects should be given top priority during the next year.

We've won the victories listed below because we focused our efforts:

	PROBLEM	NATIONAL COMMITTEE ACTION	RESULTS
CATASTROPHIC SENIORS-ONLY SURTAX RECONSIDERED!	Congress passes unfair catastrophic care bill placing full cost on seniors-only.	Members handwrote millions of post cards and letters to Congress demanding fairness.	S-1125 and HR-2547 introduced in Senate and House to repeal the tax increase.
2% COLA REDUCTION STOPPED!	A 2% permanent COLA reduction proposal in 1987 would have cost the average retired worker $2064.00 over five years!	The National Committee delivered almost 8 million Petition signatures from your fellow Members and others protesting this proposal.	The proposal was withdrawn.
$640.00-5 YEAR BENEFIT CUT STOPPED!	Administration proposed cuts in Medicare benefits in 1986 that would have cost the average beneficiary $640 over 5 years.	Members sent 250,000 letters and 130,000 Petitions to Congress and the President.	Congress rejected cuts and reduced the rise in our hospital deductible from $572 to $520.

I wish we could relax and enjoy these past victories. But much remains to be done.

Your National Committee has developed programs in four specific areas to promote your security and well being.

We would like to devote 100% of our efforts to each of these important programs. But since that is not possible, I must depend upon you, as a loyal Member of the National Committee, to help us rank the projects in order of importance on the Members' Priority Survey enclosed so that we focus our efforts properly.

Here is a short description of our top four projects:

PROJECT A - STOPPING THE "SENIORS-ONLY" CATASTROPHIC CARE SURTAX

Congress passed a terribly flawed "catastrophic care" bill which would raise income taxes on senior couples by up to $1600 this year ($800 for singles). Following a huge letter writing and petition campaign by the National Committee, legislation was introduced into Congress to repeal the tax increase and finance catastrophic care by closing a tax loophole for those who earn more than $208,000 per year. We must pass these bills this year to stop senior's taxes from being dramatically raised.

PROJECT B - PROTECTING THE SOCIAL SECURITY TRUST FUND

The Social Security Trust Fund is running a big reserve -- but the rest of the government budget is running an even larger deficit which is partially masked by our reserve in the Trust Funds. To protect our benefits, we must get Social Security out of the budget once and for all.

PROJECT C - RESTORING SOCIAL SECURITY BENEFITS TO MILLIONS OF "NOTCH YEAR" AMERICANS

Under current law, Americans born between 1917 and 1926 receive up to 12% less in Social Security benefits than those born before 1917. These "Notch Year" Americans receive an average of $660.00 less in benefits each year, even though they have paid an equal amount into the system as those born before 1917. Your National Committee is fighting for legislation which would eliminate that inequity for "Notch Year" Americans.

PROJECT D - PREVENTING CHARGES BY DOCTORS ABOVE WHAT MEDICARE PAYS

Thousands of doctors do not accept Medicare as full payment for their services and they bill senior patients for the difference. We support legislation which would prohibit doctors from charging Medicare patients more than the amount approved by Medicare.

All of these projects are extremely important to me ... and I would like to put our maximum efforts behind each one of them.

But every organization must have its priorities.

Please help me set the priorities of the National Committee for the next year, by returning your special Members' Priority Survey to me, in the postage-free envelope.

At the same time, I urge you to include a special investment of $10, $15, or $25 to support our priority projects.

Your investment will help stop a huge, unfair income tax increase on senior citizens and instead finance the "catastrophic care" program by closing a tax loophole which only favors the rich.

Your investment will help us promote legislation to protect seniors from doctor bills not approved by Medicare.

And your investment will support our efforts to get the Social Security Trust Funds out of the budget -- and free from political tampering.

Your investment of $10, $15, or $25 today will enable your National Committee to continue to compile victories worth thousands of dollars to you.

Thank you once again for renewing your Membership in the National Committee to Preserve Social Security and Medicare.

You will soon be receiving your next issue of your "Saving Social Security" newspaper, and our Legislative Alert Service will continue informing you about fast-breaking developments in Washington which affect your Social Security and Medicare benefits.

Please return your special Members' Priority Survey. And, if you possibly can, include your investment of $10, $15, or $25 immediately, so that your National Committee will be more effective in fighting to protect your benefits.

I look forward to working with you throughout the next year to protect and improve Social Security and Medicare.

Sincerely,

James Roosevelt

James Roosevelt, Chairman
National Committee to Preserve
Social Security and Medicare

P.S. Our National Committee projects can help preserve your Social Security and Medicare programs. Your investment of $10, $15, or $25 today will go far to help guarantee the success of these important projects.

Prepared and mailed by the National Committee to Preserve Social Security, a nonprofit, tax-exempt organization, 2000 K Street, N.W., Washington, D.C. 20006.

The National Committee is totally independent of Congress, every government agency, and all political parties.

Contributions or gifts to the National Committee are not tax-deductible. You need make no special contributions other than annual dues.

The National Committee spends its budget in approximately the following way: legislative advocacy 36%, educational activities 25%, fund raising 13%, administration 26%. Detailed financial reports are available from the National Committee and the charitable solicitations department of most states.

1711L

PREPARED STATEMENT OF SENATOR DAVID PRYOR

Mr. Chairman, I want to commend you for scheduling this hearing. As chairman of both the Senate's postal subcommittee and the Special Committee on Aging, I have a particularly unique and compelling perspective from which to assess the kind of unethical mailing practices on which today's session will focus.

There is a growing number of unscrupulous persons who make use of the mail as they prey on the elderly, unsuspecting and desperate. They claim that, for a price, they will get you a bigger Social Security check or that Social Security number the tax law requires for your child. For a donation, they will make sure your congressman is aware of your views and they will lobby "Washington" on your behalf. Then, there are the ones who will sell you that miracle cure for whatever ails you.

Whether it is a promise or a product, these charlatans are very sophisticated at getting a foot in the door and they are always looking for new targets of opportunity. Unfortunately, the elderly appear to be disproportionately affected by such schemes.

Mr. Chairman, we can not stand by while the U.S. mail, so integral a link in the communications network of this nation, is used to take advantage of anyone; especially senior citizens, many of whom can ill-afford the wares of modern day snake-oil salesmen.

Earlier this year, in an attempt to address one particularly troublesome aspect of this problem, Senator Heinz and I introduced the Deceptive Mailing Prevention Act of 1989. This legislation, S. 273, is designed to stop those persons who hold themselves out as being associated with the government by deceptively using official sounding names, seals, and insignias on their mailings; who attempt to mislead recipients into opening and considering the contents of an envelope, because it appears to be from their government.

The bill declares unmailable any letter which could reasonably be construed to imply a government connection where none exists. Unless such a letter includes, both in its text and on the envelope, a conspicuous statement that makes it clear that the mailer is in no way affiliated with that government, it will not be delivered.

Among the examples of government look-alike mail we examined during my subcommittee's hearing on S. 273, were those of the Social Security Protection Bureau, a for-profit entity owned by the principals of the Watson & Hughey direct mail firm. I think it could properly be characterized as a classic!

For a fee of $7 the subscriber is told he will get "valuable benefits" including a gold embossed Social Security card, a copy of his Social Security earnings record, and—now get this—"representation in Washington, D.C. to protect your social security benefits." And, if that isn't enough, the subscriber is entered into the $50,000 Social Security Sweepstakes! Just what representation or protection is afforded, is unclear. What is clear, however, is that the card is plastic; the record is simply a copy of the government's own request form to be mailed to SSA by the individual; and, the fine print says that the grand prize in the sweepstakes is "up to the range of $16,233." Winners, we were told, were lucky to get 25 cents.

Another example, provided by a constituent of mine, who happens to be a very fine attorney, was an appeal for funds from a nonprofit organization. The appeal arrived at his office in an envelope indicating that time-sensitive documents from the Department of justice were enclosed.

The "important Justice Department request" turned out to be an unsolicited letter sent to Justice by a member of the organization.

A more recent example of a very misleading mailing, and one which I believe deserves close scrutiny, comes from an organization known as CATCHA—Citizens Against The Catastrophic Health Act Tax.

The CATCHA envelope was designed with one rather obvious intent: to mislead the elderly recipient with respect to the source of the mailing and its contents!

You will find some familiar names at the top of the roster of this group: Richard Viguerie, of direct mail fundraising renown, and Mark Siljander, a former Member of the House who served on that body's Select Committee on Aging.

CATCHA, preying on the fears of the elderly over their ability to pay the Catastrophic surtax, promised much in exchange for a contribution. Interestingly, in many cases, the contribution would have been more than the surtax the individual would have had to pay.

CATCHA promised lobbying in Washington. However, neither CATCHA, nor its parent organization—United Conservatives of America—nor its principals, including Mr. Siljader, whose name is on the letterhead and in the signature block of the mailing is registered as a lobbyist.

CATCHA contributions are not tax deductible. And, since all contributors are advised—and I would note incorrectly so—that F.E.C. rules require that they provide certain information, it is quite likely that the money elderly contributors have been frightened into giving will be used for purely political purposes.

Mr Chairman, I'm not sure whether CATCHA lobbied and did not register or whether CATCHA promised and did not perform. Either way, CATCHA and Messrs. Viguerie and Siljander appear to be opportunists who may have acted on the very fringes of the law—and, at the expense of those for whom they claim concern! (Perhaps we ought to have the postal inspectors and the F.E.C. or Justice ought to look into this operation.)

The public will, I hope, be less likely to be taken in by government look-alike mailings—such as those of CATCHA or the Social Security Protection Bureau—once S. 273 is enacted. This, I expect, will take place early in the next session—once we have resolved several outstanding issues on the matter of Postal Service enforcement.

But what of mailings that are not caught in the net we cast with S. 273? Mr. Chairman, I think public awareness is the key.

In this regard, I propose that you and Senator Heinz, and our colleagues on the Aging Committee, and on the Social Security and postal subcommittees, join me in an effort to explore the feasibility of establishing a mail fraud alert system; a kind of clearinghouse, that would rely on existing consumer affairs networks at the state and local level, to better inform the public of misleading and down right fraudulent mail solicitations. I plan to pursue this proposal in discussions with the President's consumer affairs advisor in the near future.

Again, I want to commend you for holding this hearing. I look forward to working with you in this effort to protect our senior citizens, and the general public, from those who seem to be more interested in the quick buck, than the well-being of the individuals on whom they prey.

DEPARTMENT OF F.B.I
CALIFORNIA DIVISION

NOTICE OF ATTEMPT TO SERVE
WARRANT
OF APPEARANCE
NOTICE TO CLAIM CASH AND/OR MERCHANDISE

THE FOUNTAINS
BUREAU OF
INVITATIONS

CAR-RT SORT #HCR88
Mr. & Mrs.

Yucaipa, Ca 2399

WE ARE ASSUMING YOU CAN USE
$10,000.00 CASH, AND A NEW
1988 MAZDA 323 AUTOMOBILE

Dear Mr. & Mrs.

We assume everyone in your city could use $10,000 and a new car, but everyone in your city is not going to receive this notification--YOU HAVE.

Just imagine driving up to your bank in your new Mazda and depositing the entire $10,000.00 into your account, and then spending your money... any way you want.

My job is tough. My job is to offer families like yours the opportunity to receive valuable cash and merchandise in exchange for a small amount of their leisure time. The enclosed Warrant of Appearance, which is made out in your name, states your two award claim numbers entitling you to at least one award stated in this notification. These award(s) are offered to you in consideration for visiting our facility (driving instructions and map enclosed).

We distribute thousands of items worth millions of dollars each year. We realize we had to make it worth your while to persuade someone of your status to visit our facility. Hopefully, these items will be enough to persuade you.

According to our rules, all advertised awards must be distributed. The stated awards remain unclaimed. You have the opportunity to claim your award(s), but it is limited. You must claim your award(s) within 14 days of receipt of this notice. After this time, we will offer these exact awards to some other family in California.

This offer is not for everyone. When you comply with the rules, you are guaranteed to receive your award(s).

Act today! There is no obligation to purchase anything whatsoever during your visit.

Sheila Harrington
Sheila Harrington

NOTE: AN APPOINTMENT TO CLAIM YOUR AWARD(S) IS REQUIRED. PLEASE CALL 1-800-828-0954 FROM 10AM-8PM MONDAY THRU FRIDAY OR SATURDAY FROM 10AM-2PM.

PREPARED STATEMENT OF REPRESENTATIVE FORTNEY PETE STARK

Senator Moynihan and Members of the Subcommittee: Although I am pleased to appear today before the Subcommittee on Social Security and Family Policy, the subject matter of my statement gives me no cause for pleasure. We are here because we are concerned about the victimization of people, particularly senior citizens, who are being suckered and swindled by direct mail wizards.

As Members of Congress, we don't need to be told what direct mail looks like; tear-out postcards and pre-printed letters have filled our mailboxes for years. I am not, however, so concerned with the volume of this direct mail as I am concerned about getting the answers to some more important questions: Who is really keeping those cards and letters coming, and how much money is being bilked from postal patrons because of often outright lies in those mailings?

The fury over the Medicare Catastrophic Coverage Act has been both ironic and instructive. It was far from a perfect bill and many amendments could be made to it, but one aspect of Catastrophic was right on target: The need to silence the Medigap hucksters that populate late-night television and fill seniors' minds with doomsday scenarios of long hospital stays and bankrupt Social Security Trust Funds. It is no surprise that some of the direct mail opposition to Catastrophic was spearheaded by Medi-gap companies and salesmen. I can only hope that this strategy will backfire: By mobilizing their direct mail armies, they have called our attention to the half-truths and misrepresentations that are robbing seniors blind. If and when Catastrophic is repealed, let us take the steps *now* to make certain that our nation's seniors continue to be protected from these direct mail fast-buck artists.

We might want to start with the Golden Rule Insurance Company of Indianapolis, Indiana. Golden Rule saw a gold mine in the repeal of Catastrophic: Not only could they profit from the continuation of their Medi-gap business, but they could also make a few extra bucks on the side by setting up their own direct mail operation to lobby for repeal. The company bought a series of advertisements in major newspapers such as the Wall Street Journal, asking seniors who were opposed to Catastrophic to call a "Seniors' Information Desk." This call, in turn, entitled seniors to receive mail from a group called "American Seniors, Inc." American Seniors' letter of introduction contains the following statements:

> We don't print pretty magazines, organize tours, give discounts on minor articles, or claim to be the representative of millions of older Americans.
>
> We are a nonprofit organization, and since we don't peddle all sorts of products, we need financial support from those of you who find our way of analyzing senior's issues to be helpful.
>
> If . . . our work sounds right to you, we would appreciate your contributior of $25. Checks should be made payable to American Seniors, Inc. and sent to the address printed below.

If you guessed that American Seniors, Inc. is a front for Golden Rule Insurance, give yourself a gold star. Although American Seniors claims that it does not "provide leads for the sale of insurance, a recent mailing from American Seniors features a press release from Golden Rule that pitches their "Medigap-Plus" policy. This is the same company, according to *Consumer Reports,* which rejected 20 to 30 percent of all Medi-gap applicants who were older than 65, and which rejected as many as 50 percent of those who were 70. The 45,000 seniors in Ohio who were approved by Golden Rule saw the company try to raise rates by 85 percent last year. When the state insurance commissioner sought a public hearing, Golden Rule threatened to cancel its policies and pull out of Ohio. This year, the company cancelled major medical policies for 20,000 seniors in Florida.

Such senior citizens would apparently have little reason to oppose Catastrophic, but oppose it they did. They will be left with the same expensive, duplicative, and often fraudulent Medi-gap policies that we had hoped to put an end to. The seniors who will be hurt the most, however, are those who had *no* Medi-gap coverage and who would have paid *no* supplemental premium under Catastrophic, but who were gulled by shady misrepresentations and outright lies spread through direct mail into believing that they would be forced to pay the maximum surtax.

I would add that a number of tax exempt bond salesmen and companies also exploited seniors in the past year with mailings saying that all seniors would owe the maximum $800 supplemental premium, and that therefore they should switch their investments to tax exempt bonds. In most cases, this was a *double* lie.

Consider next the case of an 81 year-old widow living in Oakland, California. This lady lives off of Social Security, and would not have paid a dime of supplemental premium for Catastrophic coverage. She sent me a pre-printed postcard, which

asked me to repeal the Catastrophic Coverage tax, and which contained the following words:

> The Catastrophic Coverage tax is unfair and unconstitutional. It forces husbands and wives over 65 to pay an extra $800 per year in taxes for "health insurance" which duplicates what is available far more economically in the private sector.

My office received hundreds of postcards like the one we got from this lady. A member of my staff selected a handful of these cards at random, and called the people on the telephone: In no instance did we find one person who would have paid the maximum $800. Most of the people we talked to, like this lady, would have paid nothing.

Those postcards were lies, but the senior citizens who sent the cards shouldn't be held responsible. In the case of this particular mailing, we were able to trace its origins to Howard Phillips and the Conservative Caucus.

It's bad enough when Medi-gap companies and groups with a minimal record of addressing the needs of senior citizens start soliciting money from their constituents with vague promises of future benefit; it's *much* worse, however, when the direct mail and the fund-raising letters come from chiselers who have absolutely no interest in the well-being of senior citizens, but whose only goal is to take as much money as they can from innocent senior citizens to fund their narrow, ideological objectives.

Ten years ago, direct mail was the rage for the reactionary right, but their well went bone dry. Looking for a new source of water, they followed the example of the direct mail experts who helped Jim Bakker and the PTL Club raise millions of dollars by timing their solicitations to coincide with the monthly distribution of Social Security checks; they drilled their new well on the fears and insecurities of senior citizens.

As for the Roosevelt group, the National Committee to Preserve Social Security and Medicare, they didn't tell any outright lies about the supplemental premium, but they certainly did their best to make sure that most casual readers would believe that they owed the maximum amount. In my personal opinion, the National Committee's "Repeal the Seniors-Only Tax" postcards of this past summer were the straw that broke the back of the House on having *anything* to do with the law the surtax or the benefits. The National Committee can certainly take credit for repeal of the surtax; they should also take credit for repeal of the benefits. How much money did all seniors pay to these organizations, so that a handful of seniors would not have to pay the maximum surtax? How much more will these seniors pay in the future, as their Medi-gap premiums rise without any further expansion of benefits?

If we passed a law that would appropriate several million dollars a year from the Social Security Trust Fund to finance direct mail flim-flams, we would be thrown out of office and ridden out of town on a rail. Yet, if we continue to allow seniors to be gypped out of their money by these modern-day carnival barkers, we are achieving the same effect. Enough is enough, but where do we go from here?

The Postal Service lacks either the tools or the will to effectively address this problem under current law. For the Postal Service to reach a finding of fraud, there must be a complete misrepresentation of fact. If only one person had to pay the maximum surtax under Catastrophic, it would *not* be fraud for a direct mail solicitation to say that all people must pay the maximum.

I'd like to enter in the record correspondence I've had with the Postal Service about some outright lies being used by the National Rifle Association to drum up money and opposition to legislation by Senators Metzenbaum and DeConcini, which are similar to a bill that I have introduced in the House. As you can see from the material, the NRA has not been afraid to use boldfaced lies to scare gun owners into making contributions; by characterizing these lies as misrepresentations of *law*, not fact, the Postal Service has found an excuse to avoid action on what is a simple fund-raising fraud.

As another example of a clever misrepresentation, consider the recent mailing from our friend Lee Atwater and the Republican National Committee. In an effort to raise more money to stem the rising tide of Democratic victories, Mr. Atwater sent a fundraising letter that contained the following language:

> Before President Bush was elected, the Democrats in Congress passed legislation which just recently went into effect and placed a tax on senior citizens to pay for catastrophic health insurance.

If you read carefully, you see that there is no outright lie there. The bill *was* passed before President Bush was elected, Democrats in Congress *did* vote for it, and it did place a tax on some senior citizens to help pay for catastrophic benefits for all.

If it's not a *lie,* it's at least *wrong* and we need to put a stop to the devious logic and the convoluted interpretations with which these direct mailers defend their scams. There are a number of options available:

If we need to change the Postal Service's standard for false representations, let's do it. If these sharpies complain that they are being deprived of First Amendment rights, then let's remind them that the First Amendment has never protected the right to lie, cheat, or steal; we'll see them in the Supreme Court and we'll see how much protection the Constitution really gives them.

If we need to raise the standards by which direct mail outfits do their business, let's do that, too. Let's make sure that when an organization represents itself (and takes a tax exemption) as a non-profit organization that they are not just using the cash to fund their next mass mailing.

I introduced a bill in the 100th Congress that I will be happy to re-introduce. It requires certain charities which solicit money from the public to use at least half of their gross revenues for charitable activities within a year after receipt. It would also require these organizations to disclose certain information in their solicitations, such as the intended use of the contribution and the estimated portion of contributions that will be used for charitable purposes.

If a group is not a charitable organization (even our own political parties), let's require it to state how much it spent on its mailing expenses in the past year, how much money it raised, what its profits were, and what the salaries of its key personnel were. Provisions could be made for new firms and organizations entering the business. We need to expand the public's knowledge about what these groups *really* do with their money. To expose these rackets as nothing more than a quick-and-dirty way to make a whole lot of money would certainly dampen a lot of people's enthusiasm to contribute.

As for the Medi-gap insurance companies, I think we should amend the Baucus rules so as to prohibit and prevent the kind of front organization currently being used by Golden Rule. One of the best reasons we had for enacting Catastrophic was to put a lid on these Medi-gap rip-offs; let's make sure that that goal remains firm.

Most of all, let's do *something.* These crooks are doing a land office business with senior citizens' money. Let's give the Postal Service a mail fraud law with some teeth in it, and let's make sure that—even when the money is legitimately raised—it's also legitimately spent.

The greatest tragedy of all of this is that the wave of cards and letters inspired by the distorted language and outright lies of the direct mail houses and lobbying organizations is paralyzing the Congress' ability—and even its willingness—to consider needed legislation. As for catastrophic health care, who will want to touch this tar baby again? And this extends to long-term care as well: who will want to embrace a $50 billion program, knowing that they will be deluged with mail that may or may not lie about the financing and the benefits?

Attachments.

FORTNEY H. (PETE) STARK
9TH DISTRICT, CALIFORNIA

COMMITTEES
WAYS AND MEANS
DISTRICT OF COLUMBIA
SELECT NARCOTICS

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

April 18, 1989

Mr. Charles R. Clauson
Chief Postal Inspector
United States Postal Service
475 L'Enfant Plaza West, S.W.
Washington, DC 20260

Dear Mr. Clauson:

A recent direct mail solicitation from the National Rifle Association appears to be a clear violation of 39 U.S.C 3005, which states that violations occur "upon evidence satisfactory to the Postal Service that any person is engaged in conducting a scheme or device for obtaining money or property through the mail by means of false representations...."

Based on complaints from my constituents, my colleagues in the House of Representatives, and numerous other concerned citizens, I believe an expedited and thorough Postal Service investigation is warranted. The enclosed direct mail solicitation has been received by an estimated 3 million households during the month of April, 1989.

The National Rifle Association mailing is clearly a false representation of my legislation, H.R. 1190, "The Semiautomatic Assault Weapons Act of 1989," in an attempt to raise large quantities of money. The mailing asks recipients to send in $150, $100, $75, $50, $35, or $28.70 contributions. Further, I suspect any investigation would show that the '1-900-446-2000' telephone/mailgram program, which costs $5.95 for delivery of four telegrams, also results in significant net revenues to the N.R.A. and its officers.

The legislation would treat 11 specific types of semiautomatic assault weapons in the same manner as current federal law for fully automatic machine guns. The 11 types were recommended by law enforcement advisors as weapons growing in use in crimes of violence and drug trafficking crimes. Current owners will be required to register their semiautomatic assault weapons with the Bureau of Alcohol, Tobacco, and Firearms (BATF) with no background check, tax or fee, or any other step to be required of current owners of the 11 types in my bill.

Therefore, the N.R.A. mailing violates 39 U.S.C. 3005 with several clear and false representations, the most flagrant of which occurs in the opening paragraph. The letter opens with the phrase, "You may be one of 30 million NRA members and semi-auto firearms owners who will be forced to be fingerprinted, investigated by the FBI, pay a $200 tax, and then beg your local law enforcement official to allow you to continue possessing a firearm that you currently legally own." [emphasis added]

The N.R.A. mailing states that H.R. 1190 bans "most semi-auto rifles, shotguns, and pistols." By reading the enclosed copy of the legislation, you will find that 11 specific types of semiautomatic assault weapons would be covered: versions of the AK-47, the UZI, the MAC-10, the TEC-9, the Colt AR-15, the Ruger Mini-14, the Beretta AR-70, the FN-FAL or FN-FAC, the Steyr A.U.G., the USAS 12, and the 12-round shotgun known as the 'Street Sweeper' or the 'Striker 12'.

Under my bill, future importation and future domestic manufacture of the 11 specific types would be prohibited. Future purchase of the 11 types would be permitted, but under the same current steps for purchase of fully automatic machine guns: undergo a local background check and receive approval from a local law enforcement official, payment of a $200 transfer tax (from the 1934 National Firearms Act), and registration with the Bureau of Alcohol, Tobacco, and Firearms.

H.R. 1190 also provides for specific factoring criteria for the Secretary of Treasury, through BATF, to consider in adding to the list of covered semiautomatic assault weapons. Among the specific factoring criteria to be taken into account are the following factors: 1) in the case of a rifle or shotguns, whether pistol grip facilitates firing the weapon from other than the shoulder position, 2) in the case of a rifle or pistol, whether the manufacturer of the weapon sells or distributes a magazine with a capacity of 11 or more rounds of ammunition produced specifically for use with the weapon, 3) whether the length of the barrel is less than 22 inches, 4) whether the weapon has a collapsible or folding stock, and 5) whether the weapon is designed to accept a bayonet, a barrel shroud, a flash suppressor (for night-time shooting), or a silencer.

The Bureau of Alcohol, Tobacco, and Firearms estimates that there currently are between 2 and 3 million 'military-style' semiautomatic weapons currently in domestic circulation, not the 30 million claimed by the N.R.A. Furthermore, H.R. 1190 clearly states that any weapon which uses .22 caliber rimfire ammunition (other than an Intratec TEC 22 type firearm) would not be included in the definition of a semiautomatic assault weapon.

To falsely tell law-abiding gun owners and collectors that they will be assessed $200 for every semiautomatic rifle or shotgun in their collection is a gross lie designed to frighten collectors, hunters, and sportsmen into sending large contributions to the N.R.A. for the benefit of the staff of that organization.

Telling collectors, hunters, or sportsmen that a $28 contribution can prevent a $200 tax on currently-owned firearms would appear to be a wise investment to any ordinary citizen. Instead, it's actually a new twist on a tested and proven fundraising scheme used to exploit the vulnerable senior citizens of this nation. Current postal regulations, including 39 U.S.C. 3005 were implemented to prohibit schemes and devices of this type that misinform, lie, distort and incite for the explicit purposes of raising money.

It would be most appropriate for the U.S. Postal Service to investigate whether the National Rifle Association's Institute for Legislative Affairs, in sending out the enclosed copy of the recent direct mail solicitation to an estimated 3 million households, intended to engage in conducting a scheme or device for obtaining money or property through the mail by means of false representations.

Given the importance of a thorough and expedited investigation, I would appreciate your immediate attention to this matter. Should you have any questions about this request, please do not hesitate to contact me.

Sincerely,

Pete Stark

Pete Stark
Member of Congress

CHIEF POSTAL INSPECTOR
Washington, DC 20260-2100

November 2, 1989

Honorable Pete Stark
House of Representatives
Washington, DC 20515-0001

Dear Congressman Stark:

Based on your request that we reconsider our decision not to proceed under Section 3005, Title 39 against the National Rifle Association (NRA) for solicitations, we have reviewed the argument in your letter of September 25, 1989, and offer the following comments.

As you pointed out, for Section 3005 to be violated, there must be a false representation of fact. What is fact is what is important. What was stated in the NRA material was an argument of law and not fact. Law is often open to many interpretations, and reasonable interpretation of your bill is what the NRA's solicitation materials stated. In your letter you analogize the situation to expert opinions given in the medical area. Such opinions are necessary to determine what is fact with respect to the current consensus of medical opinion on the safety or effectiveness of medical devices, substances, etc. In your case, the matter does not involve fact but rather law.

The fact that your letter takes the form of a legal brief citing cases to support your position clearly demonstrates that your proposed statute is subject to more than one interpretation, allowing therefore, the NRA to take an opposing position and make a sound legal argument for it. In the law there are often no right or wrong answers, and there is not usually a right answer to a question; what matters is whether and how you support the answer you give.

During a meeting with your staff this past Spring, my representatives pointed out the ambiguities of the statute and suggested that the wording should be changed to make your intent clearer. As many courts have noted, in interpreting a statute they look at the plain language first. The best way for the legislation to have its desired effect and not be subject to several interpretations, is for it to be drafted in plain language that conforms with your intent. As it was and stands now, your legislation could be argued reasonably to say what the NRA alleges.

Our authority to act under 39 U.S.C. 3005 is limited to misrepresentations of fact. Interpretations of the law, even when done to favor one side of an argument, does not necessarily constitute a violation.

I trust my comments will be helpful.

Sincerely,

C. R. Clauson

COMMUNICATIONS

PREPARED STATEMENT OF L. BRENT BOZELL III, EXECUTIVE DIRECTOR, CONSERVATIVE VICTORY COMMITTEE

I would like to thank Senator Moynihan for giving me the opportunity to insert my testimony before the Social Security Subcommittee Hearing.

No responsible person can deny the potential for fraud and deception in the direct-mail industry. Indeed, be it in political fundraising, charitable fundraising, or simple business marketing, there are innumerable examples that highlight this problem, and I applaud this Committee's efforts to investigate it. Though it is admirable that some are attempting to shed light on the situation, it is the height of irresponsibility when one cites, as an example, an organization or individual who is innocent. Moreover, when such testimony is given before a Congressional Committee and the author of that testimony knowingly misleads the Committee, he is equally guilty of fraud and deception.

One witness before this Committee was Mr. Denison Hatch, Editor and Publisher of WHO'S MAILING WHAT! In his testimony he gives recommendations to correct the problems of direct mail fraud and deception. I agree with some points (i.e., that organizations publish annual reports), though I seriously disagree that Congress should legislate such activity.

Mr. Hatch's third recommendation states that "No PAC or special project of a PAC should be allowed to raise money using a candidate's name without permission of the candidate."

To illustrate how PACs have allegedly defrauded contributors by "using a candidate's name without permission of a candidate," Mr. Hatch quotes from a letter signed by me for the Conservative Victory Committee asking for money for our special project, Americans for Kemp, during the 1988 Campaign. After quoting from the letter, Mr. Hatch testifies to the following:

> "When this mailing arrived, in December 1987, Jack Kemp was in a life and death struggle for funds to pay for broadcast time and to fund the primary campaign. And in this letter Bozell—a total outsider—is pleading for money to 'pay for the critical radio, television or print communications that Jack Kemp needs.'
>
> "Kemp's campaign received not one nickel from Bozell's group. Bozell paid for no radio, no TV, no print to help Jack Kemp's candidacy. The only one to profit from this effort . . . was Bozell himself who personally took $1,000 a month from the Conservative Victory Committee."

These two paragraphs cannot go without a response:

1. The reason Kemp's campaign "received not one nickel from Bozell's group" is very simple. It is illegal for an independent expenditure effort to co-ordinate activities with a candidate, including requesting the use of his name in fundraising appeals. Given the laws regulating independent expenditures, for the CVC to have coordinated its fundraising efforts to help the Kemp campaign would have been against the law, as anyone familiar with the first rule of independent expenditures knows.

2. Even if we could have given Mr. Kemp money, we didn't have it to give. The totality of the "Americans for Kemp" presidential effort consisted of *one test-mailing* to 50,000 individuals at a cost of $20,000 to test the feasibility of an independent expenditure campaign to help Kemp in his presidential effort. The results of the test were favorable, by direct marketing standards, and technically justified a continuation of this project. Although the continuation might have been financially lucrative for the effort in the long-run, we made the decision to halt the program instead when I concluded that:

(a) We would not net enough immediate funds to provide a substantial enough effort for this campaign and,

(b) the Kemp presidential effort looked doomed. In fact, after this decision was made, four contributions we received from the test—totalling $3,000—*were voluntarily returned to the donors by us,* which caused us to *lose* money on the test. Thus, we "paid for no radio, no TV, no print" to help Jack Kemp's candidacy. I might also add that this information is on the public record, in the files of the Federal Elections Commission, as Mr. Hatch knows.

3. While it is true that I was receiving a $1000 per month consulting fee, it is equally true that *every* penny was donated voluntarily by me to charitable causes. For the record, I did not realize one penny profit from this effort.

Were the statements made by Mr. Hatch a simple result of reckless research, I would leave it at that. But there is more to this story. At the conclusion of his testimony, Mr. Hatch states that "I would like to make available to the Committee my complete research on this sad chapter of the 1988 election if there is interest in pursuing this." In fact, I would like to do this for him. I am enclosing, for the record, a copy of his July/August 1988 edition of WHO'S MAILING WHAT! ("Wronging The Right: Those Amazing PACmen and Their Incredible Perpetual Money Machine") wherein these and a slew of other charges were first made. Too, I am enclosing for the record a copy of my letter to Mr. Paul Smith, Attorney for Mr. Hatch, dated October 11, 1988, in which all of these statements were corrected, one by one.

With this evidence in hand, I think it would be advisable for this Committee to ask Mr. Hatch why he has *knowingly* misrepresented the facts, committing fraud and deception before a Congressional Committee.

Thank you for allowing me the opportunity to respond.

Enclosure.

WHO'S MAILING WHAT!
The Monthly Newsletter, Analysis and Record of The Direct Marketing Archive
Special Report | Stamford, Connecticut | July/August, 1988

SPECIAL REPORT

Wronging The Right:

Those Amazing PACmen and Their Incredible Perpetual Money Machine

The press has lately been full of hand-wringing and unhappy accounts of congressmen swilling like so many hogs at the rich troughs of issue-oriented or industry-sponsored Political Action Committees (PACs). But WHO'S MAILING WHAT! has uncovered new and even bigger abuses--new wrinkles on an old theme--a rampaging monster of such terribility as to rival Dr. Frankenstein's.

As a contributor to a political action committee, you should have a reasonable expectation that your money will reach the candidate or campaign in whose name the money was solicited.

Right?

Wrong--if you contribute to certain Conservative or Republican organizations.

After an intensive investigation, WHO'S MAILING WHAT! has discovered a hole in the Federal Election Campaign Act of 1971 and Amendments of 1974 big enough to fly a fleet of 747s through. The result: a series of Political Action Committees where only a minuscule amount of the money contributed in response to direct mail and telemarketing efforts ever reaches the candidates or campaigns to which responders think they are contributing.

Instead, the money is plowed back into additional direct mail and telemarketing efforts to raise more money... to make more mailings to raise more money. What has been created is the ultimate direct marketing profit scheme where you promise everything, fulfill nothing, and use the money to make more mailings and fund-raising telephone calls. And a cadre of direct marketing wizards appear to be getting very, very rich. These are the "Shadow PACs"--a fund-raising daisy chain that give new meaning to the concept of infinity.

And the Federal Election Campaign Act not only makes these Shadow PACs perfectly legal, but actually *encourages* them.

How It All Began

What follows is not so much a traditional mystery story but rather the story of the unraveling of a mystery. It is not a pretty story, so those of our readers who recoil from sleaze, particularly in the direct mail industry, can stop reading now. If you are not repelled at what sometimes can be seen when you turn over a rock, however, bear with us while we turn over a few rocks.

Over the past months, the Direct Marketing Archive has been blitzed with right-wing fund-raising efforts from a legion of different organizations. The mailing pieces are masterpieces of the direct mail genre. They arrive in #10 window envelopes with such patriotic cornercards as Office of the Chairman of the Reagan Political Victory Fund... Conservative Victory Committee... Americans for Bush... Americans for Dole... Americans for Kemp... Chic Hecht, United States Senator... The Stop Kennedy Campaign... Official 1988 Vice Presidential Poll Enclosed... or, simply, a sketch of the U.S. Capitol with the teaser

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"OPEN IMMEDIATELY."

Almost without exception the return address for contributions is what the USPS calls a Unique Zip Code in Washington, DC, on a pre-printed bar-coded Business Reply Envelope. On checking with the Washington post office, we learned that all such letters were delivered to the Washington Intelligence Bureau--a caging service in northern Virginia. Few bore any street address or P.O. number.

Included in each effort is a 4-page letter (in which every paragraph is a single sentence), a reply form, and Business Reply Envelope with a Cheshire addressing label on the back. The copy is brilliant. Each mailing addresses a single issue: the Nicaraguan Freedom Fighters... "Liberal Spending"... "The Most Dangerous Man in America" (Jesse Jackson)... "Billions Cut from the Defense Budget." Many of the letters reiterate the looming presence of the Soviet threat and the specter of godless Soviet barbarism.

Never mind that the letters are riddled with factual errors, out-of-date information, overuse of the imperative, mangled grammar, misapplied punctuation and--above all--vague promises; every effort represents sheer creative genius that invokes patriotism, a nation in peril, and desperate need. Every one of these mailings makes the wings of the eagle flutter; in terms of raw emotional appeal, they are the print embodiment of tears and mascara running down the cheeks of a weepy Tammy Faye Bakker.

"Who Are Those Guys?"

"Who are those guys?" is what the movies' Butch Cassidy and Sundance Kid ask each other as they watch a posse of pursuers coming after them relentlessly. We, too, can be excused for wondering who is behind this unrelenting effort to scare large sums of money out of Conservatives and Republicans.

These are the new breed--the indomitable Shadow PACmen of the '80s who have discovered what is tantamount to a perpetual money machine. They are emphatically not part of any political process; they are direct marketers, pure and simple.

It was Watergate's anonymous informant, "Deep Throat," who tipped *Washington Post* reporter Bob Woodward in that deserted underground parking garage to "Just follow the money."

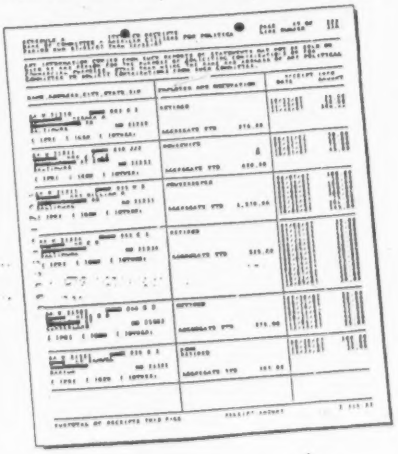
Accordingly, we isolated three PACs and engaged an experienced Washington research organization to assist in following the money trail hidden in the microfilmed records of the Federal Election Commission (FEC). It came as somewhat of a surprise to discover that the three PACs under our scrutiny were sharing the same direct response agency: Response Dynamics, Inc., as well as its sister companies, The Best Lists, Inc. and American Telephone Marketing Group, Inc.--all headquartered at the same address: 2070 Chain Bridge Road, Vienna, Virginia.

From 1985 through the first quarter of 1988, the three PACs we examined took in $5,644,954 in contributions. Of that, $3,531,122--or 62.6%--was funneled into the three Response Dynamics companies, with the balance going for printing, envelopes, caging services, computer work, office expenses, "donations to other PACs," etc. In the first four months of 1988, a staggering 98.2% of one political action committee's receipts were paid to--or earmarked for--the Response Dynamics, Inc. (RDI) companies.

Amounts actually given to various federal candidates whose names were invoked in the mailings: $88,928, or a pathetic 1.6% of the take.

Who Are the Suckers?

According to Federal Election Commission rules, all contributors of $200 or more must be listed by name, address and occupation in each PAC's reports. A huge segment of the donors listed in FEC records are senior citizens, retirees, house-



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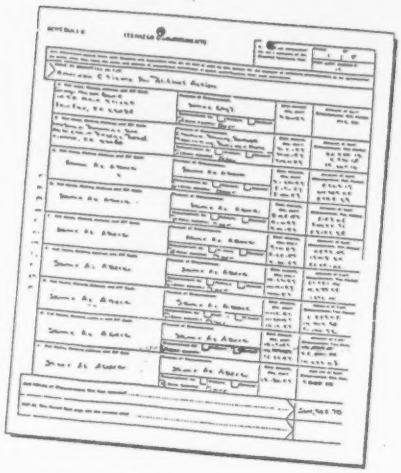
NATIONAL REPORT

wives and former military personnel. Some are pensioners residing in such places as the Ridgecrest Retirement Village in Davenport, Iowa, or the Vermont Baptist Home in Brattleboro, and who can probably ill-afford to give. To these Americans who are easily frightened at the prospect of change, the message is simple: "Don't let them take it away from you!" It is delivered with an air of extreme urgency in short, sharp staccato sentence bursts reminiscent of machine-gun fire.

Imagine the heady electricity of an urgent long distance personal call from Washington, DC, to the resident of a sleepy old folks' home with a desperate plea for money--*any amount!*--to save the country from the Russian threat. The listings of regular contributions of $10, $25 and $50 is a poignant testimonial to these donors' patriotism--and the brilliance of Response Dynamics' direct mail and telemarketing abilities.

Let's look at the three PACs:



American Citizens for Political Action (a.k.a. Americans for Dole, Reagan Political Victory Fund)

According to a statement of organization filed on March 11, 1985, American Citizens for Political Action's (ACPA) address was Suite 212, 140 Little Falls Street, Falls Church, Virginia. Its letterhead showed the treasurer to be Randy Goodwin. Richard C. Hahn was listed as director of Operations and Robert E. Dolan as Chairman.

How would those early contributors feel knowing that $30,000 of their money went for an interest-free loan to Richard Hahn,.. and that, as of March 30, 1988, Hahn was in arrears, with a balance of $24,500 outstanding?

A cursory look at ACPA's current FEC reports would indicate that it is a hollow organization. There are no salaried employees; it pays no rent; there is not even the most rudimentary mechanism to implement the promises--however vague--of its solicitations.

A study of American Citizens for Political Action's reports of receipts and disbursements reveals some peculiar anomalies. In 1985, it received $71,735.01 in contributions from individuals and disbursed $106,716.88 (that is, it operated in the red) but gave not a single penny to any campaign or candidate for federal office despite reporting cash on hand at the end of that year of $19,170.99.

"Prospecting"--i.e., pouring money into list testing and list building is not uncommon in the early phase of an organization or a marketing campaign. What is so interesting about the PACs we investigated is that "prospecting" seems to have become a way of life for them.

From 1985 through March 31, 1988, ACPA received $3,561,469 in contributions. Of that, Response Dynamics and related companies billed $2,119,626--or 59.5%--for "Creative, Delivery, Postage, Typesetting, Paste-up, Photo, Oper., Telemarketing and List Rental." As of March 31, 1988, ACPA reported cash on hand of $77,409.

How much went to federal candidates during the four-year period? A total of $41,800--or only 1.2% of receipts--was actually contributed to federal political candidates.

National Security Political Action Committee (a.k.a. Americans for Bush, 1988 Senate Victory Fund)

The National Security Political Action Committee (NSPAC), which began reporting to the Federal Election Committee as of May 1, 1986, operating from Suite 420 at 3200 Morrison Street, NW, Washington, DC appears to be another hollow organization. Elizabeth I. Fediay, the only remunerated employee, was reported as being the secretary/treasurer of this organization. Over the first two years, NSPAC operated out of the

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Fediay residence and paid no rent--a flat violation of FEC regulations.

From its inception through April 30, 1988, NSPAC reported receipts of $1,696,930. Of that, $1,296,026--or 76.3%--was paid to or earmarked for the Response Dynamics companies. On April 30, 1988, NSPAC reported cash on hand of $9,942. During that same period, a total of $41,600--or only 2.5% of receipts--was contributed to federal political candidates.

One truly startling set of numbers: in the first four months of 1988, NSPAC reported receipts of $585,290 with $574,560--*a whopping 98.2%*--paid to or earmarked for the Response Dynamics companies.

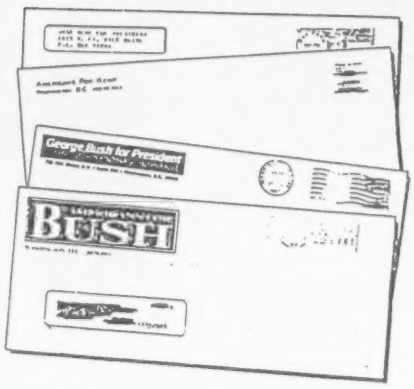
Conservative Victory Committee (a.k.a. Americans for Kemp)

The Conservative Victory Committee (CVC) began reporting to the FEC in October of 1987, with Juanita R. Sholes, a paid employee as treasurer. From its inception to the four months ended April 30, 1988, the CVC took in $386,553. Of that, $115,469--or 29.9%--was paid out to--or earmarked for--the Response Dynamics companies. Cash on hand as of April 30, 1988: $45,175. During its existence, a total of $5,528--or 1.4%--was contributed to federal political candidates.

The PACmen's Ultimate Act of Duplicity, Cynicism and Greed

The reason for homing in on these three PACs was the result of receiving a series of mailings on behalf of Republican presidential candidates--efforts looking and sounding very much alike--during the first three months of 1988. On a letter from the organization calling itself "Americans for Dole," we found the following notation:

"Americans for Dole is a special project of and has been paid for by American Citizens for Political Action. Not authorized by any candidate or candidate's committee. A copy of our annual report is available from the Federal Election Committee. Contributions or gifts to this organization are not deductible as charitable contributions for Federal income-tax purposes."



A similar letter from "Americans for Bush" bore a notation indicating that it was a special project of and had been paid for by the National Security Political Action Committee.

And "Americans for Kemp" turned out to be "a project of and was paid for by the Conservative Victory Committee." The footnote to the "Americans for Kemp" letter added that it was "Not authorized by any Candidate or Candidate's committee."

This then was the ultimate act of duplicity, cynicism and greed by the Shadow PACmen. The bogus efforts for Bush, Kemp and Dole--*all created by Response Dynamics and fronted by three PACs with which RDI had the coziest of relationships*--were perfectly timed to cash in on the massive publicity generated by the fierce primary contests. These mailings flooded Republican and Conservative households precisely when the three candidates were in a desperate life-and-death struggle for primary funds. They were pointedly designed to confuse the electorate. For example, compare the envelope cornercards of "Americans for Bush" and Bush For President--blue boxes with red lines and white type reversed out.

Which was the genuine campaign? Which was

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a phony PAC? If donors gave money to "Americans for Bush," would they respond to an appeal from George Bush for President a week later? It's highly doubtful.

None of the people we contacted in Jack Kemp's congressional office nor in his Genuine PAC--Campaign for a New Majority--knew of "Americans for Kemp."

But George Bush's campaign well knew "Americans for Bush." Research director, Tony Lopez, told us:

"I've shown this stuff to our lawyers and there's nothing they can do. These guys are stealing money from our campaign."

This was confirmed by John P. Maxwell, Consulting Director for Bob Dole's PAC, Campaign America:

"I got a telemarketing call from Americans for Bush. They were trying to make people think they were giving to the Bush campaign. Finally it dawned on me that this was not George Bush's campaign. I said to him, 'You're not affiliated with the George Bush campaign.' He said, 'Oh, yes, we are.' I called the Bush campaign counsel the next day and he expressed exasperation that they tried lots of different ways to get it stopped and were pretty well halted every which way."

Maxwell was so incensed that he sent an affidavit detailing the phone call to the George Bush campaign for use in any legal action against "Americans for Bush."

Bob Dole Campaign Counsel Scott Morgan said, point-blank, "These are not good folks." Then he chuckled, "I shouldn't say that. I've never met them. Maybe they are lovely people." He added the "Americans for Dole" telemarketing campaign was particularly brazen.

"The telemarketing people caused big problems. They would hit up our big donors who we don't normally telemarket--people who had maxed out or didn't want to give any more for other reasons. No, these were people we were trying to stop."

What's Going On Here?

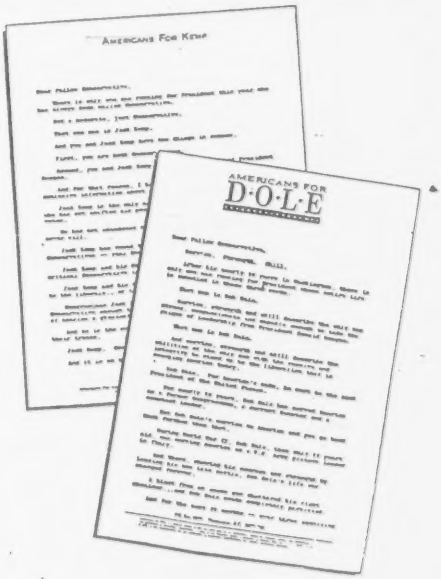
A money-raising campaign in the name of a candidate but not authorized by that candidate? Under Federal Election Commission rules, these "special projects" are not required to register as PACs. Their funds and disbursements are merged with those of the "parent" PACs, and their activities are cloaked by those reported by the "parent" PACs.

The rules of the game have been laid down in Title 11 of the Code of Federal Regulations, which governs the operations of the Federal Election Commission. For some reason known only to the framers of this Title, provision was made for what are called "Independent Expenditures" (IEs) by political action committees.

An independent expenditure is defined as:

"... an expenditure for a communication (emphasis ours) *expressly advocating the election or defeat of a clearly identified candidate that is not made with the cooperation or prior consent of, or in consultation with, or at the request or suggestion of, any candidate or his/her authorized committees or agents."*

As a consequence, any political action committee can plow contributions from individuals back into additional solicitations for contributions in which a candidate is attacked or supported. And even though little or no money may ever reach a so-called "supported" candidate, that candidate's name can be invoked--as in the case of "Ameri-



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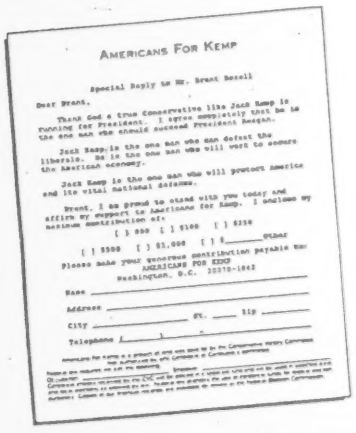
cans for Dole," "Americans for Bush" or "Americans for Kemp"--to solicit money. The solicitation is worded ambiguously but the implication is that the monies contributed will indeed reach that candidate's campaign. This impression is strongly reinforced by instructions to recipients of the mailings to make their checks payable to "Americans for Bush," "Americans for Dole" or "Americans for Kemp."

American Citizens for Political Action was responsible for "Americans for Dole" mailings. A search of its reports to the FEC showed that during the time Senator Robert Dole was actively campaigning for the presidential nod from the Republican party, the ACPA contributed $5,000 to him, the maximum amount permitted. But it also contributed a like amount to Orrin Hatch, the junior Senator from Utah.

The Conservative Victory Committee's "Americans for Kemp" mailings were signed by L. Brent Bozell, III. A well-known name in Conservative circles (he is the son of William F. Buckley's sister, Patricia), Bozell receives a thousand-dollar monthly consulting fee from the CVC.

Donors to "Americans for Kemp" were asked to



AMERICANS FOR KEMP

Special Reply to Mr. Brent Bozell

Dear Brent,

Thank God a true Conservative like Jack Kemp is running for President. I agree completely that he is the one man who should succeed President Reagan.

Jack Kemp is the one man who can defeat the liberals. He is the one man who will work to secure the American economy.

Jack Kemp is the one man who will protect America and its vital national defense.

Brent, I am proud to stand with you today and affirm my support to Americans for Kemp. I enclose my maximum contribution of:

[ ] $50 [ ] $100 [ ] $250

[ ] $500 [ ] $1,000 [ ] $_____Other

Please make your generous contribution payable to:
AMERICANS FOR KEMP
Washington, D.C. 20078-1042

Name _____

Address _____

City _____ St. ____ Zip _____

Telephone (___) _____

endorse a "Special Reply to Mr. Brent Bozell," headed "Dear Brent." Surely responders had every reason to believe that their signature on the message, "Brent, I am proud to stand with you today and affirm my support to Americans for Kemp" meant that Jack Kemp would benefit from their contribution. Instead Kemp and the Kemp primary campaign got zip, zilch, nothing, not a penny. True, his name was invoked in "Independent Expenditure" mailings from the CVC costing $21,640 and designed to raise more money--for more mailings--to raise more money for more mailings. But the CVC spent more than three times that amount, $75,316, on similar fund raising letters inveighing *against* Jesse Jackson, Michael Dukakis and Howard Metzenbaum. Obviously you can scare more dollars out of Conservatives using Democratic bogeymen than you can wheedle from them for a staunch Conservative like Jack Kemp.

The National Security Political Action Committee, the parent of "Americans for Bush," gave $4,000 to the George Bush campaign. Interestingly, NSPAC contributed less money to Bush than to Chic Hecht, the junior Senator from Nevada, thus making a mockery of the label, "Americans for Bush."

A Blatant Conflict of Interest

Because Response Dynamics created these ersatz Bush, Dole and Kemp mailings, here was a blatant conflict of interest. Can you imagine one agency handling the GM, Ford and Chrysler accounts simultaneously? What's more, RDI took in the lion's share of the money, creating an extraordinary situation--a probable first in American politics: money that loyal supporters sent into "Americans for Bush" was then funneled into Response Dynamics, a private company creating mailings for Bush's arch rivals, Dole and Kemp. And vice-versa. And versa-vice.

RDI's marketing strategy was clear: bet on every horse in the race; whichever was the primary winner, a Shadow PAC--and a thoroughly tested mailing--would be in place to immediately start siphoning off cash from the presidential campaign.

And the strategy worked. According to *The Washington Post*, once George Bush had amassed enough delegate votes to clinch the nomination, "Americans for Bush" announced a $10 million drive for Bush--a preposterous undertaking, considering that $5,000 is the legal limit any PAC can contribute to a federal campaign. From July 5 - July 10, NSPAC spent $79,860 with Cable News Network for 45 "Americans for Bush" TV commercials in prime time, narrated by Retired

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Admiral C. A. "Mark" Hill, Jr. Only an extremely knowledgeable viewer would catch on that this was a counterfeit campaign. What's more, the RDI commercials give Vice President Bush a macho image designed to appeal to white males; *this is precisely counter to the strategy of the real Bush campaign that is desperate to win female and minority voters.* With a razor-thin plurality predicted in the general election, the Shadow PACmen could very likely cost Bush the election. Bush has filed a formal complaint with the FEC, accusing the NSPAC of fraud, manipulative practices and of intentionally disregarding the Commission's reporting obligations.

Why doesn't George Bush for President go public and announce that "Americans for Bush" is a counterfeit campaign? Probably because if word got out nationally that there were two campaigns--one genuine and one bogus--potential contributors would be confused, and funds would dry up completely.

Clearly, here is a badly written (and, arguably, unconstitutional) law--the Federal Election Campaign Act of 1971 with the 1974 Amendments. As interpreted by the Shadow PACmen, a federal office seeker is denied sole proprietorship of his or her own name. As a result the Shadow PACmen--whether by intent or not--sabotaged the fund-raising efforts of their very own Republican and Conservative candidates with surgical precision and near invisibility in a scheme reminiscent of the Nixon White House. As a result of these confusing mailings (and now television efforts), the public is being misled and our entire political system is being savaged as obscene amounts of money are being diverted from a legitimate campaign into the coffers of the Shadow PACmen.

And under the law as currently written, the entire caper--as Independent Expenditures--is perfectly legal.

Wait! There's More!

These are three PACs in bed with Response Dynamics. There are others. The Congressional Majority Committee is another PAC where the lion's share of the take goes to the Response Dynamics companies. And a legion of other organizations not registered with the FEC bear the fingerprints of the Shadow PACmen of Response Dynamics. They all use the same scare tactics in highly-charged, staccato prose and make the same kinds of vague promises. Among them are: American Conservative Union, American Defense Institute, Center for a Free Society, Council for Inter-American Security, Freedom Fund, Security and Intelligence Foundation, Selous Foundation, and--believe it or not--"Robertson in '88", which made two January mailings.

Incidentally, along with Brent Bozell and Admiral Hill, among the national personalities who have been snookered into signing fund-raising letters for--or lending their names as Advisors to--the Shadow PACs of RDI that are fleecing the geriatric set: Senators Orrin Hatch, Jesse Helms, Chic Hecht, Steve Symms, Paul Trible; former Senator Jeremiah Denton; U.S. Representatives Cass Ballenger, Herbert H. Bateman, Jack Buechner, Sonny Callahan, James A. Courter, Jack Davis, Hal Daub, Tom DeLay, Robert K. Dornan, David Dreier, Newt Gingrich, James V. Hansen, Wally Herger, Duncan Hunter, Donald E. (Buz) Lukens, Bill McCollum, Denny Smith, Barbara Vucanovich and Geroge Wortley; retired Admirals Thomas Moorer and Gerald E. Miller.

The Federal Election Commission records list more than 4,000 PACs. Hundreds more fail to register and go undetected.

What can be done to stop the Shadow PACmen? Quite simply a major overhaul of the Federal Election Campaign Act is needed; otherwise Congress should repeal it altogether and let a political free market take over.

To see where the money went, please turn page...

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Where the Money Went

Compiled from Reports to the Federal Election Commission

Year	Gross Receipts	To Response Dynamics	To Best List Co.	To American Telemktg Group	Total Spent with RDI Companies $	(%)	Total Donated to Federal Candidates $	(%)
American Citizens for Political Action (a.k.a. Americans for Dole) From 1/85 through 3/30/88								
1985	$ 71,735	$ 20,115	$ 7,418	$ 4,004	$ 31,537	(44.0%)	$ 0	(0%)
1986	1,092,619	427,441	139,309	69,547	636,297	(58.2%)	600	(0.05%)
1987	1,770,355	857,344	246,502	51,858	1,155,704	(65.3%)	21,300	(1.2%)
1988	626,760	232,485	19,496	44,107	296,088	(47.2%)	19,900	(3.2%)
Total	$3,561,469	$1,537,385	$ 412,725	$ 169,516	$2,119,626	(59.5%)	$41,800	(1.2%)
National Security Political Action Committee (a.k.a. Americans for Bush) From formation 5/86 through 4/30/88								
1986	$ 291,765	$ 91,365	$ 9,617	$ 64,932	$ 165,914	(56.9%)	$ 0	(0%)
1987	819,876	292,612	68,363	194,579	555,554	(67.8%)	21,600	(2.6%)
1988	585,289	293,858	215,254	65,447	574,559	(98.2%)	20,000	(3.4%)
Total	$1,696,930	$ 677,835	$ 293,234	$ 324,958	$1,296,027	(76.4%)	$41,600	(2.5%)
Conservative Victory Committee (a.k.a. Americans for Kemp) From formation 10/87 through 4/30/88								
1987	$ 93,167	$ 8,280	$ 2,630	$ 0	$ 10,910	(11.7%)	$ 0	(0%)
1988	293,388	40,557	30,144	33,858	104,559	(35.6%)	5,528	(1.9%)
Total	$ 386,555	$ 48,837	$ 32,774	$ 33,858	$ 115,469	(29.9%)	$ 5,528	(1.4%)
Grand Total	$5,644,954	$2,264,057	$ 738,733	$528,332	$3,531,122	(62.6%)	$88,928	(1.6%)

American Citizens for Political Action, 2700 Virginia Avenue, NW, Washington, DC 20037. 202/333-2092. FEC Identification Number: C00184861.
Congressional Majority Committee, 2030 Clarendon Boulevard, Suite 305, Arlington, VA 22201. 703/522-2104. (Formerly at 2030 North 16th Street, Suite 305, Arlington, VA 22201) FEC Identification Number: C00139097.
Conservative Victory Committee, 422 1st Street, SE, Washington, DC 20003 (letterhead). FEC address of record: 111 South Columbus Street, 3rd floor, Alexandria, VA 22314. 703/684-6403. FEC Identification Number: C00218172.
National Security Political Action Committee, 1919 Pennsylvania Avenue, NW, Washington, DC 20006. 202/887-4955. Formerly at 3800 Morrison Street, NW, Washington, DC 20015. (The Washington telephone directory lists a telephone at that address in the name of L. Fedia, 202/363-9472.) FEC Identification Number: C00205718.
Response Dynamics, Inc., 2070 Chain Bridge Road, Suite 400, Vienna, VA 22180. 703/442-7595.

"Wronging the Right" was written with invaluable research assistance from Judy Diamond Associates, 655 3rd St., N.W., Washington, DC 20001. Special thanks to the personnel at the FEC for their efficiency and unfailing courtesy.

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Conservative *Victory* Committee

October 11, 1988

Paul Smith, Esq.
Onek, Klein and Farr
2550 M. Street, NW
Suite 350
Washington, DC 20037

Dear Paul:

I appreciate the time you took to discuss the very serious matter concerning the Who's Mailing What! Special Report (July/August, 1988). As you requested, I am sending along an explanation for our tremendous anger.

According to the newsletter, those of us who ran "Americans for Kemp" created "the ultimate, direct-marketing profit scheme, where you promise everything, fulfill nothing, and use the money to make more mailings and fundraising telephone calls." Our "bogus efforts for...Kemp...[were] all created by Response Dynamics." In fact, I "have been snookered into signing fundraising letters for...the shadow PACs of RDI that are fleecing the geriatric set."

The newsletter contends we are part of "the new breed--the indominable shadow PAC-men of the 80's who have discovered what is tantamount to a perpetual money machine. [We] are emphatically not part of any political process. [We] are direct marketers pure and simple...a cadre of direct-marketing wizards who appear to be getting very, very rich."

Further, our efforts are "pointedly designed to confuse the electorate...riddled with factual errors, out-of-date information [and] above all--vague promises." That "Americans for Kemp" turned out to be "a project that was paid for by the Conservative Victory Committee [was] the ultimate act of duplicity, cynicism and greed by the shadow PAC-men."

How dishonest have we been? "Surely responders had every reason to believe that their signature on the message, 'Brent, I'm proud to stand with you today and affirm my support to Americans for Kemp' meant that Jack Kemp would benefit from their contribution. Instead, Kemp in the primary campaign got zip, zilch, nothing, not a penny." Therefore, "as a result the shadow PAC-men--whether by intent or not--sabotaged the fundraising efforts of their very own Republican and conservative candidates with surgical precision and near invisibility in a scheme reminiscent of the Nixon White House."

And where does the money go? "As a contributor to a political action committee you should have a reasonable expectation that your money will reach the candidate or campaign in whose name the money was solicited. Right? Wrong--if you contribute to certain conservative or Republican organizations. ...The result: a series of political action committees, where only a minuscule amount of money contributed in response to direct mail and telemarketing efforts ever reaches the candidates or campaigns to which responders think they are contributing. ...From its inception to the four months entered April 30, 1988, the CVC took in $386,553.00. Of that $115,469.00--or 29.9%--was paid out to--or

earmarked for--the Response Dynamics Companies. ...During its existence, a total of $5,528.00--or 1.4% was contributed to Federal, political candidates."

Now, all of the above was determined when Who's Mailing What! "isolated three PACs and engaged an experienced Washington research organization to assist in following the money trail hidden in the microfilmed records of the Federal Election Commission." How this "experienced Washington research organization"--which is unnamed--could have made so many mistakes is immediate grounds for suspicion. And why neither this unnamed "experienced Washington research organization" nor the editors of Who's Mailing What! bothered to place one single phone call to us to confront us with any of these charges shows a serious disregard for ethics.

So let me do some enlightening here:

1. The Conservative Victory Committee was formed in the fall of 1987. Its purpose was and is to support conservative candidates and causes nationwide. The CVC raises money through direct mail, telemarketing, high-dollar solicitation, and special events. While the CVC retains the services of consultants and part-time staff members when the need arises, there is only one employee who is on the payroll on a full-time basis. In fact, the $1,000/month consulting fee I receive has been donated by me to charitable causes.

2. RDI had nothing to do with the creation of the CVC: No one from their organization serves in any formal -- or informal--capacity in the leadership of the CVC. Moreover, I was never "snookered" into signing any letters for RDI. I readily signed, and stand by, all letters bearing my name, which were to appeals originated by the staff of the CVC.

3. The CVC has undertaken numerous political campaigns in our first year, through direct mail that (like our efforts to stop INF) have absolutely nothing to do with campaign contributions--a fact that would be clear to any unnamed "experienced Washington research organization".

4. The story cites, chapter and verse, only part of Title 11 of the Code of Federal Regulations dealing with independent expenditures. Didn't this unnamed "experienced Washington research organization" know that the Kemp campaign got "zip, zilch, nothing, not a penny" because to coordinate or communicate with the Kemp Campaign would have been illegal? By law any PAC is limited to giving $5,000 to a Presidential primary campaign, which is the reason we established an independent expenditure effort--because we wanted to do more than $5,000 worth of help for the Kemp presendential effort. This is the advantage of independent expenditure campaigns that anyone with the slightest understanding of politics--or direct mail--knows.

5. And how big was this "Americans for Kemp" campaign, this "perpetual money machine" through which we were "getting very, very rich" because we "sabotaged the fundraising efforts" of Kemp? Ready? "Americans for Kemp" consisted of one--count 'em, one--mailing to 50,000 individuals at a cost of $20,000 as a test of an independent-expenditure campaign to help the Kemp for president effort. The results of the test were favorable, by direct marketing standards, and technically justified a continuation of this project. Although the continuation might have been financially lucrative for the CVC in the long run, we made the decision to halt the program instead when I concluded we would not net enough immediate funds to provide a substantial enough effort in this campaign. Moreover, four contributions we received from the test--totalling $3,000--were voluntarily returned to the donors.

6. The financial data regarding the CVC ("a.k.a. 'Americans for Kemp') is completely wrong--with apologies to this unnamed "experienced Washington research organization." Any analysis of our fundraising efforts would show that we spent money on numerous non-candidate support efforts (like "Stop INF") which were never meant to generate money for candidates. Further, according to FEC Regulations, candidate related expenditures fall into three categories: cash, in-kind, and independent expenditures--all of which must be, and were, reported by us in our FEC reports. The Who's Mailing What! article conveniently lumped all of our direct-mail fundraising returns under the category of "candidate fundraising" while omitting the independent expenditures and issue expenditures which were also filed. Thus, the figure of $386,553.00 generated for candidates was wrong. The figure of $5,528.00--or 1.4%--contributed to Federal political candidates was wrong. And the figure of $115,469.00--or 29.9%--paid out to--or earmarked for--the Response Dynamics Companies was also wrong because that included payments used to purchase postage. Nice touch.

I could go on and on, but I think I've made my point. There is something really rotten going on here. The story is riddled with errors and reaches truly damaging conclusions. Needless to say, the tone is insulting and repugnant. That this "research" was so inaccurate and that we were never contacted for comment led us to believe that there was more to this story.

Now we know there was.

Frankly, I don't care to fight the battles of others who feel they were wronged by the article. But neither will I be satisfied by a simple retraction--especially having learned that this article was mailed to a lengthy list of conservative leaders and media leaders in an attempt to damage us.

We will settle for nothing less than a full retraction in the newsletter and an immediate, and separate, letter of apology to the aforementioned list, and both letters must reach our satisfaction. If your client does not agree to these terms--and I will not negotiate--I will write and send the letter myself. And when I do, I will give the full story, including the genesis of the article and the people and political reasons behind it. And then we will turn the matter over to our attorneys to seek financial relief. I will expect this matter to be resolved no later than Friday, October 14.

Sincerely yours,

L. Brent Bozell, III
Executive Director